

FINANCIAL MEMORANDUM: DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES
FOR THE CHILDREN AND FAMILY COURT ADVISORY AND SUPPORT SERVICE

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I. INTRODUCTION

1. This financial memorandum, which forms part of the management statement for the Children and Family Court Advisory and Support Service (Cafcass), sets out the relationships between the Department for Children, Schools and Families and Cafcass. It sets out in greater detail certain aspects of the financial framework within which Cafcass is required to operate.
2. The terms and conditions set out in financial memorandum, management statement and other documents 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 Cafcass.
3. Cafcass shall satisfy the conditions and requirements set out in these documents, together with such other conditions as the Secretary of State may from time to time impose.

II. Cafcass's BUDGETS

Setting the annual budget

4. Cafcass's approved annual plan will take account both of its approved funding provision and of any forecast receipts. It will include a profile of expected expenditure and draw-down of any Departmental funding (GiA) and any other income over the year.
5. Each year, in the light of decisions by the Department on Cafcass's updated draft corporate plan the Department will send to Cafcass:
 - a formal statement of the annual budgetary provision allocated by the Department in the light of competing priorities across the Department and of any forecast income approved by the Department [see Appendix A for an example];
 - and
 - a statement of any planned change in policies affecting Cafcass.
6. Any grant-in-aid provided by a Department for the year in question will be voted in the Department's Estimate and will be subject to Parliamentary control.

The Departmental Expenditure Limit (DEL)

7. Cafcass's current and capital expenditure form part of the sponsoring Department's Resource DEL and Capital DEL respectively.

Expenditure not proposed in the budget

8. Cafcass shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure falling outside Cafcass's delegations or not provided for in its annual budget as approved by the Department.

III. BUDGETING PROCEDURES

General conditions for authority to spend

9. Once Cafcass's budget has been approved by the Department, Cafcass shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:
 - Cafcass shall comply with the delegations set out in Appendix B of this document. These delegations shall not be altered without the prior agreement of the Department;
 - Cafcass shall comply with the conditions set out in paragraph 16 below regarding novel, contentious or repercussive proposals;
 - inclusion of any planned and approved expenditure in Cafcass's budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
 - Cafcass shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require (see para 84 below).

IV. THE NDPB'S EXPENDITURE - GENERAL

Procurement

10. Cafcass's procurement policies shall reflect guidance from the Office of Government Commerce including *Procurement Policy Guidelines*. Cafcass shall also ensure that it complies with any relevant EU or other international procurement rules.
11. Periodically and wherever practicable Cafcass's procurement shall be benchmarked against best practice elsewhere and may be contracted out where this would achieve better value for money.

Competition

12. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
13. Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority (see Appendix B), and Cafcass shall send to the Department after each financial year a report for that year explaining any contracts above the delegation threshold in which competitive tendering was not employed.

Value for money

14. Procurement by Cafcass of works, equipment, goods and services shall be based on value for money, ie 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

15. Cafcass shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 16.2 of Government Accounting. Cafcass 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.
16. [NOTE: the 1998 Act allows creditors to claim statutory interest

and compensation on late payment of commercial debts.]

Novel, contentious or repercussive proposals

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

Risk management

18. Cafcass 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. It shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview*.
19. Cafcass 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*.
20. Cafcass 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.

V. INCOME - GENERAL

Wider markets

20. In accordance with the wider markets policy Cafcass shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with
- Cafcass's main functions
 - its corporate plan as agreed with the Department.

FORECAST INCOME

Income from sale of goods or services etc

21. Fees or charges for any services supplied by Cafcass shall be determined in accordance with the Treasury's *Fees and Charges Guide*, and the Freedom of Information Act.
22. 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.
23. Income generated above the forecast level normally provides additional spending power. However, the Department must be asked to approve any additional expenditure funded by the additional income.

Fines, taxes and other receipts

24. Most fines and most taxes (including levies and some licences) are classified as not negative public expenditure. These do not provide additional DEL spending power.
25. Such receipts should either be surrendered to the Department or, if retained, will reduce the need for grant-in-aid.

Interest earned

26. Any interest earned on cash balances arising from grant-in-aid or other Exchequer funds shall be treated as a receipt from an Exchequer source and is classified as not negative public expenditure.
27. If this interest is under estimated when determining the annual plan

it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the Consolidated Fund via the Department. If interest is over estimated this may result in a reduction in DEL.

Changes to Forecast income

28. If the income realised or expected to be realised in-year is less than estimated, Cafcass shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised DEL provision is not exceeded.
29. If the income realised or expected to be realised in the year is more than estimated, the Cafcass Board may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. Such applications will be considered by the Department taking account of competing demands for resources. If an application is refused any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the Exchequer via the Department.

Build-up and draw-down of deposits

30. Any expenditure financed by the draw-down of deposits counts towards DEL. The effect on DEL of the build-up of deposits depends on the type of the receipts.
31. Cafcass shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

32. Disposals of land and buildings are dealt with in Section IX below.

Gifts and bequests received

33. Cafcass is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. However before accepting a gift Cafcass shall consider if there are any consequential associated costs or any conflicts of interests arising.
34. Cafcass shall keep a written record of any such gifts, bequests and donations, whether given or received, and of their estimated value and whether they are disposed of or retained.

Receipts from the EC

35. Any receipts from the European Community should be matched against related expenditure so resulting in a DEL neutral position. If EC receipts are retained by Cafcass, these do not provide additional DEL spending power for Cafcass as they are to be matched to the relevant ESF expenditure.

Borrowing

36. Cafcass shall observe the rules set out in Section 29.5 of *Government Accounting* when undertaking borrowing of any kind.
37. Cafcass shall seek the approval of the Department to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Any expenditure financed by borrowing counts towards DEL

Reserves

38. Cafcass shall not use grant or grant-in-aid to set up any reserves other than a Deferred Government Grant reserve. Funds in any reserve may be a factor for consideration when grant-in-aid is determined.

VI. EXPENDITURE ON STAFF

Staff costs

39. Subject to its delegated levels of authority Cafcass 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

40. The staff of Cafcass, 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 the Department. Cafcass staff are currently moving from terms and conditions of their transferring employer to a Cafcass wide scheme approved as above. It is recognised that the new scheme is not yet fully implemented. Cafcass has no delegated power to amend these terms and conditions.
41. Current terms and conditions for staff of Cafcass are those set out in its guidance to employees. Cafcass shall provide the Department with a copy of the employee guidance and subsequent

amendments.

42. The travel expenses of Board Members shall be tied to the rates allowed to senior staff of Cafcass. Reasonable actual costs shall be re-imbursed.
43. Cafcass will operate pay and performance management systems and will, in the context of the circumstances outlined at paragraph 40, move towards the introduction of a performance-related pay scheme consistent with Government policy for the public sector
44. The NDPB must at all times ensure that their employment practices accord with the relevant legislation.

Pensions;

45. Cafcass will make arrangements for pensions for such of its staff as it determines with the approval of the Department.
46. Staff may opt out of the occupational pension scheme provided by Cafcass. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.

Redundancy/compensation

- 47a Unless covered by a delegated authority (see Appendix B) any proposal by Cafcass to move from its existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Department. Proposals on severance payments must comply with DAO(GEN) 04/02 and DAO 9GEN) 10/04.
- 47b Proposals on **special severance payments** (payments in excess of, or outside of, statutory or contractual entitlements) must comply with DAO(GEN) 11/05. This requires that the Department and Treasury are consulted in advance where a special severance payment is under consideration.

VII. NON-STAFF EXPENDITURE

Capital expenditure

47. Subject to being above the agreed capitalisation threshold of £2500, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the
- acquisition, reclamation or laying out of land;
 - acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and
 - acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
48. Proposals for large-scale individual capital projects or acquisitions will normally be considered within Cafcass's corporate planning process. Applications for approval by the Department and if necessary the Treasury shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Cafcass Board. Regular reports on the progress of projects shall be submitted to the Department.
49. Within its approved overall Capital Resource limit Cafcass shall, as indicated in the attached Appendix B on delegations, have delegated authority to spend up to £150,000 on any individual capital project or acquisition. Beyond that delegated limit, the Department's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds between budgets

50. Transfers from capital to resource budgets are **not** allowed. Movement is allowed from Resource DEL to Capital DEL however this has a double impact on the Resource budget. There is a commensurate reduction in the Resource DEL and additional charges to the Depreciation and Cost of Capital resulting from the additional Capital spend.
51. Unless financial provision is subject to specific Departmental or Treasury controls (eg, where provision is ring-fenced for specific purposes), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Departmental approval.

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

52. Cafcass shall not, without the Department's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in chapter 26 of *Government Accounting*) whether or not in a legally binding form.
53. Where consent is given by the Department or under the founding Act any financial guarantees and indemnities given by Cafcass must be adequately covered against undrawn resources.

Grant or loan schemes

54. Unless covered by a delegated authority (see Appendix B), all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the Department, together with the terms and conditions under which such grant or loan is made if under a continuing scheme it is likely statutory authority will be required
55. 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 Cafcass, the Department and the C&AG.
56. See also para 81-83 below under the heading *Recovery of grant-financed assets*.

Gifts; write-offs, losses and other special payments

57. Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in Appendix B to this document must have the prior approval of the Department.
58. Gifts to staff are subject to the requirements of DAO(GEN) 13/01 and the associated Cabinet Office guidance on non-pay rewards.

Leasing

59. Outside of the approved Estates Strategy for Cafcass (2004), prior Departmental approval must be secured for all property and finance leases. Before entering into any lease (including an operating lease) Cafcass shall demonstrate that the lease offers better value for money than purchase.

60. Cafcass must ensure that it has the necessary Capital DEL provision for finance leases and other transactions which are in substance borrowing, prior to entering into any lease. (see paragraphs 36-37 above).

Subsidiary companies and Joint Ventures

61. Cafcass shall not establish subsidiary companies or joint ventures without the express approval of the Department. In judging such proposals the Department will have regard to the Department's wider strategic aims and objectives and current Public Service Agreement.
62. Any subsidiary company or joint venture controlled or owned by Cafcass shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes. Where the judgment over the level of control is a close one the Department will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this Management Statement and Financial Memorandum, and to the further provisions set out in supporting documentation.

Public/Private Partnerships

63. Cafcass 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 such agreements lead to the need for increased cash flow or result in the need to increase the delegated spending authority on contracts being breached Cafcass shall consult the sponsor Department.
64. Any partnership controlled by Cafcass shall be treated as part of Cafcass in accordance with UK GAAP and consolidated with it. Where the judgment over the level of control is a close one the Department will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

Financial investments

65. Cafcass shall not make any investments in traded financial instruments without the prior written approval of the Department,

nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures which further the objectives of Cafcass shall equally be subject to Departmental approval unless covered by a specific delegation.

Unconventional financing

66. Unless otherwise agreed with the Department, Cafcass shall not enter into any unconventional financing arrangement.

Commercial insurance

67. Cafcass shall not take out any insurance without the prior approval of the Department, other than third party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation or which is permitted in paragraph 30.4.2 of *Government Accounting*.
68. The Department shall have a written agreement with Cafcass about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of the Department's funds and/or adjustment to Cafcass's targets shall be considered.
69. A Certificate of Exemption for Employer's Liability Insurance has been issued to Cafcass and is attached as Appendix C.

VIII. GRANT-IN-AID

70. Grant-in-aid is the net funding required to enable Cafcass to meet its agreed resource expenditure. Grant-in-Aid will be paid to Cafcass in monthly instalments, on the basis of a written application from Cafcass showing evidence of need. The application (Appendix D) 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 Cafcass's functions.
71. Cafcass should have regard to the guidance enshrined in Chapter 9 of *Government Accounting* that it should seek grant-in-aid according to need.
72. 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 Cafcass. The Department considers a level of 2% of annual Grant in Aid to be a suitable guideline level for cash balances.

73. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw down of funds is delayed to avoid excess cash balances at year end, the Department shall make available in the next financial year – subject to approval by Parliament of the relevant Estimates provision - any such grant-in-aid required to meet the related accrued liabilities at year end, such as creditors.

End-year flexibility

75. Cafcass will automatically carry forward any current or capital underspends in full except where:
- The underspend is essential to meeting other departmental PSA targets which would not otherwise be met and Cafcass has sufficient resource to meet its own targets
 - There is, exceptionally, an unavoidable overspend elsewhere in the Department that has to be funded and we cannot find the resources from elsewhere to cover this
 - The Treasury is obliged to withdraw or limit departmental EYF.

The use of end-year flexibility by Cafcass will be discussed at regular performance reviews with the Department.

The amount of EYF will be confirmed at a fixed point in the year when accurate expenditure information is available from Cafcass.

Note: EYF is determined by the actual spending of Cafcass in resource terms, whether or not this is financed by grant-in-aid. Therefore it is Cafcass's underspending in resource terms (DEL) which generates any EYF which the department will aim to cascade down to Cafcass – not any unused Grant-in-Aid.

IX. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

76. Cafcass shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

77. Cafcass shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets shall be sold by auction or competitive tender unless otherwise agreed by the Department, and in accordance with Government Accounting, Chapter 24.
78. Outside of the approved Cafcass Estates Strategy (2004), Cafcass may normally retain receipts derived from the sale of assets provided that:
- a) The Department and the Treasury are content for Cafcass to retain these receipts;
 - b) they are used to finance other capital spending;
 - c) the department receives prior notification of individual sales; and
 - d) total sales in any financial year do not exceed a specified limit normally 3% of the grant- in-aid (see PES(98)5.
79. If, notwithstanding the above, Cafcass disposes of assets which have been purchased, improved or developed with Exchequer funds and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the Department which will then submit an Estimate seeking approval for the receipts to be appropriated in aid by the Department and for a corresponding increase in Cafcass grant-in-aid. If the proposed new investment exceeds Cafcass's relevant delegated authority the Department's approval will be needed. If the proposed new investment is novel or contentious the Treasury's approval will be also needed.
80. If the criteria in para 78 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (see para 29 above).

Recovery of grant-financed assets

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

82. Cafcass shall therefore ensure that such repayment conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale, in order that funds may be surrendered to the Department.
83. Cafcass shall ensure that if the assets created by grants it has made Cafcass 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 Cafcass for surrender to the Department. The amounts recoverable under the procedures in paragraphs 81-82 above shall be calculated by reference to the best possible value of the asset and in proportion to the Exchequer's original investment(s) in the asset.

X. PROVISION OF MONITORING INFORMATION TO THE DEPARTMENT

84. Cafcass shall provide the Department with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the Department of:
- Cafcass's cash management;
 - its draw-down of any grant-in-aid;
 - forecast outturn by resource headings;
 - other data required for the Government Expenditure Monitoring.
 - Appendix E summarises the expected returns to be submitted, including management information, with agreed mechanisms via the Sponsorship Unit.

XI. BANKING

Banking arrangements

85. Cafcass's Accounting Officer is responsible for ensuring that Cafcass's banking arrangements are in accordance with the requirements of *Government Accounting* and the Treasury guidance document *Departmental Banking: a Manual for Government Departments*. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively. The Accounting Officer appointment letter is attached as Appendix F.
86. He/she shall therefore ensure that:
- these arrangements are suitably structured and represent value-

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

- sufficient information about banking arrangements is supplied to the Department's Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 3.6 of the Management Statement);
- Cafcass's banking arrangements shall be kept separate and distinct from those of any other person, Non-Departmental Public Body or organisation;
- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

XII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

87. Cafcass shall comply with the following general guidance documents:

- this document (both the management statement and the financial memorandum);
- *Government Accounting*, including in particular the Accounting Officer Memorandum for Non-Departmental Public Bodies (reproduced in Chapter 8 of *Government Accounting*);
- *Non-Departmental Public Bodies - a Guide for Departments* (the "NDPB Guide"), issued by the Cabinet Office;
- *Government Internal Audit Standards*, issued by the Treasury;
- *Managing the Risk of Fraud*, issued by the Treasury;
- [Government Financial Reporting Manual](#), issued by the Treasury;
- the *Fees and Charges Guide*, issued by the Treasury;
- *Departmental Banking: A Manual for Government Departments*, issued by the Treasury;
- relevant *Dear Accounting Officer* letters;
- *Regularity and Propriety*, issued by the Treasury;

- the Consolidation Officer Memorandum, issued by the Treasury;
- relevant *Dear Consolidation Officer* letters;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to Cafcass as an NDPB.

XIII. REVIEW OF FINANCIAL MEMORANDUM

88. This financial memorandum will normally be reviewed at least every five years or following a review of Cafcass’s functions as provided for in Section 7 of the management statement.
89. The Treasury will be consulted on any significant variation proposed to this financial memorandum and the associated management statement.

Signature.....

Printed Name.....

Position.....

Date.....

(on behalf of the Secretary of State)

Signature.....

Printed Name.....

Position.....

Date.....

(on behalf of Cafcass)

Appendix A

Annual Resource Allocation letter [Example]

For the Financial Year 2004-05 the agreed resource budget for Cafcass is £x,xxx,xxx, details are shown in the attached (schedule or annex). The Department will provide a net funding requirement as Grant in Aid up to a limit of £y,yyy,yyy'.

Schedule/Annex

Pay	£a,aaa,aaa
Non Pay	£b,bbb,bbb
Recurrent Programme spend	£c,ccc,ccc
Income (Net of GiA)	£(d,ddd,ddd)
Own Capital	£e,eee,eee
Programme Capital	£f,fff,fff
Depreciation	£g.ggg.ggg
Cost of Capital	£h,hhh,hhh
Total	£x,xxx,xxx

Net Funding Requirement (Grant in Aid limit) £y,yyy,yyy'

Reconciliation

Grant in Aid can be reconciled to the Resource Budget as follows:-

Total net Resource Budget $x = (a+b+c+e+f+g+h) - d$

Grant in Aid $y = x - (g+h)$ or $(a+b+c+e+f)$

[Assuming there are no changes to the level of Debtors/Creditors in the Balance Sheet]

Gross funding requirement (the amount Cafcass will have available to fund its Resource Expenditure) = $y + d$

LIST OF DELEGATED LIMITS

Single Tender or Restricted Contracts (where a competitive market exists)	£10,000
Capital – single project or acquisition (excludes Premises)	£150,000 or 20% of Own Capital Resource budget
Single grant or Loan to third party	£50,000
Gifts and Special payments	see below

**Limits that the Secretary of State has specified
to Cafcass authority to write-off losses,
make or sanction special payments and give gifts**

1. The Chief Executive shall have the personal authority to write off losses, up to a limit of **£5,000** for an individual claim, within a total ceiling for write-offs in any one financial year of **£50,000** as follows:

a. Cash losses

- i. losses by theft, fraud, arson or gross carelessness (the Chief Executive must make every effort to secure full recovery, resorting to prosecution in appropriate cases);
- ii. physical losses of cash, for example by fire;
- iii. loss of cash equivalents, for example stamps;
- iv. unvouched and incompletely vouched payments;
- v. irrecoverable losses due to overpayments of pay, allowances and pensions due to miscalculation, misinterpretation of regulations or the full facts not being available; and
- vi. unauthorised issues of cash in the form of wages or allowances.

b. Store losses

- i. losses by theft, fraud, arson, sabotage or gross carelessness;
- ii. losses by fire, weather, accident, deterioration and natural causes.

c. Constructive losses and fruitless payments

- i. Constructive losses are stores or services that are ordered and

later found to be unnecessary;

- ii. Fruitless payments are payments for which Cafcass ought not to have incurred liability.

d. Small debts, and other miscellaneous write-offs.

2. The Chief Executive shall also have the personal authority to make special payments up to a limit of **£10,000** for each case within a total limit of **£100,000** in any one financial year as follows:

- a. Extra-contractual payments which, although not legally due under a contract, appear to be obligations which the courts might uphold;
- b. Ex gratia payments which, although not legally due under a contract, are payments reasonably expected under a contract and without which personal hardship would result;
- c. Ex gratia payments made to avoid personal hardship which might otherwise result from official failure and inadequacy.

3. Cafcass may agree to give assets bought for a proper purpose but which are no longer needed for the conduct of its business to a registered charity, provided that no member or senior employee of Cafcass has any interest in or connection with the charity and provided that neither the written down value nor the market value of the asset exceeds £250.

Insurance Arrangements

1. The Government does not normally insure its risks. This is because, given the profit an insurer would expect to make, it is almost always cheaper for the Government not to insure and to bear any loss itself. The Body will be expected to observe the non-insurance rule where the cost of meeting premium payments would otherwise fall to be met from grant income. It may be necessary or desirable that the Body obtain commercial insurance for certain risks which are mentioned below.

Overall responsibility for covering claims

2. Assistance from the Department for Children, Schools and Families for uninsured loss or damage will not be automatic. The availability of supplementary grant towards the replacement or repair of property will depend first on the continued need for the asset or facility and second on the approval of Parliament.

3. The Body will normally be expected to make good the loss from its existing budget. If it wishes to seek financial assistance from the Department, it will need to demonstrate that it cannot meet the claim from within existing resources. Any assistance from the Department will be subject to negotiation. The Department will not normally give assistance where the obligation relates to non-grant aided property and activities.

Claims arising under a Departmental certificate

4. The Body has been issued with a certificate under the Employers Liability (Compulsory Insurance) Act 1969 and is entitled, without reference to the Department, to:

- a. make special (not compensation) payments from within existing resources at their discretion up to a limit of £500. Such payments would generally be made as a matter of equity or because of hardship and must be made without any admission of liability. Claims beyond the £500 limit must be referred to the Body's solicitors for legal advice as to the liability and the size of the payment; and
- b. meet claims involving amounts up to £10,000 from within existing resources on the award of a Court, or in a settlement out of Court, on the considered opinion of its legal adviser.

Any claim involving amounts greater than £10,000 and arising in other circumstances should be referred to the Secretary of State.

5. The Body is indemnified against bodily injury and disease sustained by staff in the course of their employment by the Certificate of Exemption from

the Employers' Liability (Compulsory Insurance) Act 1969. This applies equally to staff on official duty away from their normal place of work either at home or abroad, so long as there is no negligence by the individual. Should a member of staff on an official visit decide to stay away for longer than the official period specified, he/she will continue to be covered for the homeward journey but not the intervening days.

Commercial Insurance

6. Compulsory Insurance. If the Body operates motor vehicles it is required by the Road Traffic Act to insure against certain risks, and should obtain the insurance required. It should not obtain optional insurance without the Department's agreement.

7. Grant aided assets and activities. If the Body wishes to take out optional insurance, it will need to provide the Department with a detailed appraisal of the cost effectiveness of commercial insurance as compared to the Government's policy of non-insurance. The Department would then need to seek approval from HM Treasury.

8. Non-grant aided activities. The Body is free to take out optional commercial insurance for non-grant aided property and activities from its own private funds, provided such property and activities are separate and distinct from grant aided property and activities. Such insurance must not be purchased with grant monies.

Responsibilities of the Body

9. Personal Property: There is no obligation on the Body as an employer to prevent theft of an employee's property. However payments may be made at the employer's discretion providing that the employee has not been negligent and the loss or damage is not covered by insurance or any provision for free replacement. Compensation may similarly be paid for any articles lost or damaged through the negligence of a colleague.

10. The personal property of staff on official duty away from their normal place of work (home or abroad) is covered by the same terms and conditions. Staff on short-term visits would not be covered for loss of money or luxury items not essential to the official visit. These would be a matter for personal insurance.

11. Equipment: The principle of non-insurance extends to theft of or damage to equipment housed in premises occupied by grant-aided providers. In such cases claims should be dealt with along the lines set out in paragraphs 2-3 above. Should damage arise as a result of negligence on the part of a third party, a claim should be made against that party's insurers.

12. Health and Safety at Work Act 1974: Duties of Staff: In accordance with Section 7 of the Health and Safety at Work Act 1974 it is the duty of every employee while at work:

- a. to take reasonable care for the health and safety of him or herself and of other persons who may be affected by his/her acts or omissions at work; and
- b. as regards any duty or requirement imposed on his/her employer or any other person or under any relevant statutory provision, to co-operate fully with the employer so far as is necessary to enable that duty to be performed or complied with.

13. Accidents - Visitors: The principle of non-insurance extends to visitors to office premises occupied by grant-aided providers. Any claim arising from an accident to a visitor on the office premises should be dealt with along the lines set out in paragraphs 2-3 above. Should an accident arise as a result of negligence on the part of a third party, a claim should be made against that party's insurers.

Certification of Exemption from Employer's Liability Insurance

Department for Children, Schools and Families

EMPLOYER LIABILITY (COMPULSORY INSURANCE) REGULATIONS 1998

In accordance with the provisions of paragraph 1 of Schedule 2 of the Employers' Liability (Compulsory Insurance) Regulations 1998, (SI 1998/2573), the Secretary of State for Education and Skills hereby certifies that any claim established against the (specify Body) in respect of any liability to (specify the employees involved e.g. directly employed staff of the Body) of the kind mentioned in section 1(1) of the Employers' Liability (Compulsory Insurance) Act 1969 will, to any extent to which it is otherwise incapable of being satisfied by the aforementioned employer, be satisfied out of monies provided by Parliament.

Date

Signed

Name

[]

Appendix D

Cafcass

GRANT IN AID CLAIM - STATEMENT OF CASH NEED

PMG ACCOUNT NO. []

This form should be sent to: Cafcass
Sponsorship Unit, DfES, 4G Caxton House, London
SW1H 9NA

MONTH OF CLAIM [] **FINANCIAL YEAR** []

NOTE: "Month of claim" is month for which Grant in Aid is being sought

- a Estimated cash payments in month of claim []
- b Estimated cash receipts in month of claim []
- c Cash requirement for month (a-b) []
- d Actual cash balance at close of previous month []
- e Allowed cash balance (2% of approved budget) []
- f. Grant in Aid claimed for month (c + e – d) []
- g. Grant in Aid claimed so far this year (including this month's claim) []
- h. Approved Grant in Aid budget for the year []

NOTES: Where the actual cash balance at close of previous month (line d) exceeds the maximum allowed in the Financial Memorandum an explanatory note must be appended to this form.

"previous" month is month prior to the month in which this claim is actually submitted (i.e the latest month end cash balance known).

I certify that:

- the requirements of the Financial Memorandum have been complied with in making this claim;
- the grant in aid received and spent has been used to meet expenditure in accordance with the conditions of grant in aid;
- the grant in aid being claimed will be spent to meet expenditure in accordance with the conditions of grant in aid;

Signed []

Name (capitals) []

INFORMATION TO BE PROVIDED TO THE DEPARTMENT

Example table: (for NDPBs with March Year End – Accounts)

Profile of Resource Budget	By mid April
Profile of Grant in Aid drawdown	By Mid April
Annual Accounts	By mid July
Information for Whole of Government Accounts	To meet deadlines notified in DCM/DCO letters
Mid Year Review (Normally based on August out-turn)	Response by October
Forecast of End Year position	By Mid February
	Each Month
Management information – Performance against targets	By 10 th working day in month
Monthly expenditure against Resource Budgets (GEMS returns)	By 6 th working day in month
Treasury Management of Cash figures	By 6 th working day of month

Chief Executive
Cafcass

Date

Cafcass – DESIGNATION AS ACCOUNTING OFFICER

I am writing in my capacity as Principal Accounting Officer to designate you the Accounting Officer of Cafcass (the Authority), with effect from xx xxx.

Chapter 8 Annex 8.2 of Government Accounting, the NDPB Accounting Officer Memorandum, sets out the responsibilities of an NDPB Accounting Officer. This includes the relationship between my responsibilities, as the Department's Principal Accounting Officer, and your own.

In essence, you will be responsible for all of the public funds entrusted to you and will sign the year end Report and accounts. You will be responsible for the proper management of the Authority's resources and staff, for ensuring high standards of corporate governance in accordance with guidance issued from time to time, and for ensuring that Government guidance on regularity, propriety and value for money is complied with. In more detailed terms, you should:-

- (a) advise the Board of the Authority on the proper discharge of its responsibilities in accordance with statute and its Financial Memorandum;
- (b) ensure the efficient, economic and effective management of the Authority's resources, including cash, liquid assets, capital assets and equipment, and personnel;
- (c) ensure that financial considerations are taken into account at all stages in reaching decisions and in their implementation;
- (d) ensure the Authority keeps proper accounts and other records in relation to the accounts; and
- (e) sign the financial statement of accounts and send copies of the statement to the Secretary of State and the Comptroller and Auditor General no later than the end of the month of September next following the financial year to which the statement relates;
- (f) observe the guidance in "Government Accounting: A Guide on Accounting and Financial Procedures for the Use of Government Departments" and all other guidance on the responsibilities of Accounting Officers that the Treasury or Cabinet Office may issue.

You will wish to note, in addition, the circumstances set out in paragraphs 14 to 18 of the Accounting Officer Memorandum in which, were you to be overruled by your Board on a matter of propriety, regularity or value for money, you should inform me and/or the Comptroller and Auditor General of the National Audit office.

As Principal Accounting Officer of the DfES, I remain responsible and accountable to Parliament for the actions of the Department in paying grant-in-aid to the (Authority); for satisfying myself that the sums paid are within the ambit and the amounts of the Estimate for which parliamentary authority has been sought and obtained; for assuring myself that the (Authority) has the necessary financial and other management systems and controls to enable it to handle those funds in accordance with the requirements of propriety and good financial management; and for ensuring that there is an adequate statement of the financial relationship between the Department and the Authority (e.g. a Financial Memorandum).

As Principal Accounting Officer for the Authority's grant-in-aid, I am obliged to demonstrate to the Public Accounts Committee (PAC) that I am satisfied that the (Authority) has the financial management systems and organisation to enable it properly to administer its grant-in-aid. This underlies much of the Financial Memorandum between the Department and the (Authority) relating to the grant-in-aid, and there needs to be regular contact between the Authority's officers and officials in the Department. In addition, my internal auditors may review and report on the Authority's internal controls and financial management arrangements, and may recommend improvements. This is, of course, distinct from the work of the Authority's own Internal Audit service.

A standing arrangement exists for dealing with enquiries addressed by the Comptroller and Auditor General to Cafcass. A copy of such an enquiry will always be sent to the Department and it is practice to consult before a reply is sent. If the PAC wish to discuss any matter affecting Cafcass], the assumption is that they will follow their usual custom of examining jointly the Principal Accounting Officer of the Department and the accounting officer responsible for the grant-in-aid. You should comply with any commitments which the Government makes in response to recommendations from the PAC or other Parliamentary bodies.

You should hold copies of "Government Accounting" and the joint Cabinet Office and Treasury publication, "NDPBs: A Guide for Departments". You will also receive copies of the letters that the Treasury circulates to Accounting Officers from time to time and I will keep you informed of any other matters relating to your responsibilities for the Authority's expenditure. I attach a list of other important guidance. If you have any difficulty locating any of these documents, your usual Departmental contacts will be able to advise on their availability.

It is a fundamental condition of your employment as Chief Executive that you carry out the duties of Accounting Officer for Cafcass] in accordance with the

memorandum “ The Responsibilities of an NDPB Accounting Officer” set out in Government Accounting. If in the reasonable opinion of your Board or of myself you are no longer a fit person to carry out the responsibilities of an Accounting Officer, or it is otherwise in the public interest to do so, your designation as Accounting Officer will be withdrawn and your employment will normally terminate. In such a case the procedures that will apply will be the Board’s disciplinary procedures or the procedures relating to the withdrawal of Accounting Officer status from Chief Executives of NDPBs which are determined from time to time by the Head of the Home Civil Service.

I consider it essential that each new Accounting Officer, as part of the induction process, attends the Civil Service College Course “An Introduction to Public Accountability for Chief Executives”. This is specifically designed for newly appointed Chief Executives. Other courses are available, arranged through their Corporate Development and Training Directorate. The college can be contacted direct on 01344 634628, or we can provide further information. In addition, you will need to have a general discussion with staff in the National Audit Office to obtain a proper understanding of their role. This will augment the training given at the Civil Service College. Besides this, my staff are always ready to help advise on particular issues or organise additional training.

Stephen Kershaw, the Department’s Director of Finance, will be in touch to have a meeting with you to discuss your Accounting Officer duties. I myself am always ready to discuss any matters which you feel need my personal attention.

I am copying this letter, without enclosure, to the Chairman of Cafcass, the Comptroller and Auditor General, the Clerk to the PAC and the Treasury Officer of Accounts.

DAVID BELL

RESOURCE BUDGETING – OUTLINE (following SR2002)

The Department for Children, Schools and Families agrees a 3 year budget with Treasury following a Spending Review. The overall budget which the Department secures is controlled via the Departmental Expenditure Limits (DEL).

There are 2 elements to DEL, Resource DEL and Capital DEL. Separate budgets are allocated to each.

3 year budgets are agreed with individual NDPBs who are subject to the same control regime and aggregates as the Department.

Movement is **not** allowed from Capital DEL to Resource DEL.

Movement is allowed from Resource DEL to Capital DEL. However this has a double impact on the Resource budget. When Capital DEL is increased there is a commensurate reduction in the Resource DEL **plus** additional charges to the Depreciation and Cost of Capital resulting from the additional Capital spend.

Within each DEL the budget will be a split between Administration and Programme costs. Within each of these splits a further breakdown may be required –see example table below.

The Department normally funds its NDPBs via Grant in Aid. This is a transfer of cash between the Department and the NDPB. The Grant in Aid provides the net funding requirement to match the income of the NDPB with its expenditure.

It is the expenditure undertaken by the NDPBs which counts towards the DEL aggregates. This underlying expenditure counts towards the Departments DEL.

Therefore it is important that the NDPB's income and expenditure are reported quickly and accurately to the Department. Equally it is important that forecasts of income and expenditure by the NDPBs are robust and accurate if the aggregate limits are not to be breached. Similarly, NDPBs who are contemplating movement from Resource to Capital DEL must consult the DfES to ensure that DfES will have the overall DEL cover necessary to meet the higher Depreciation and Cost of Capital charges.

Full details of Resource Budgeting can be obtained from http://www.hm-treasury.gsi.gov.uk/psd/rab/Consolidated_guidance/rb0cont.htm

Resource DEL		Capital DEL
Admin – Pay		Own Capital
Admin – Non Pay		
Depreciation		

Recurrent Programme		Programme Capital
Provision utilised		
Revaluation of Provision		
Forecast Receipts		

ACCOUNTS DIRECTION

Cafcass

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR EDUCATION AND SKILLS, WITH THE APPROVAL OF THE TREASURY, IN ACCORDANCE WITH PARAGRAPH 13(2) OF SCHEDULE 2 TO THE CRIMINAL JUSTICE AND COURT SERVICES ACT 2000.

The annual accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement Cafcass shall prepare accounts for the financial year ended 31 March 2006 and subsequent financial years in accordance with

- a. . Government Financial Reporting Manual (FReM);

- b. other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

- c. any other specific disclosures required by the Secretary of State;

except where agreed otherwise with the Treasury, in which case the exception shall be described in the notes to the accounts.

Signed by authority of the Secretary of State for Education and Skills

Dated2006