

H M Treasury

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DAO(GEN)07/03

Dear Accounting Officer

28 March 2003

MODEL MANAGEMENT STATEMENT AND FINANCIAL MEMORANDUM FOR EXECUTIVE NDPBS

Purpose and scope of this letter

The attached model management statement and financial memorandum (MSFM) for executive NDPBs is intended to provide an “off-the-peg” document which in many cases should remove or reduce the need for Departments to seek Treasury approval each time an MSFM is drawn up for a new NDPB or an existing MSFM is reviewed and revised. The model will be incorporated in the next revision of *Government Accounting 2000* and kept under regular review to ensure that it continues to provide a convenient vehicle for drawing up (or revising) MSFMs.

Action and contacts

2. Departments are asked:
 - o to note the contents of this letter and the model attached;
 - o to draw it to the attention of relevant staff in departments and to the attention of those NDPBs which they sponsor (or to the attention of any other body in receipt of grant in aid);
 - o direct any enquiries on the model to Nick Towers on 0207 270 5477 (nick.towers@hm-treasury.gsi.gov.uk).

Background

3. Sponsor Departments are required to draw up a clear framework of strategic control for each of their executive NDPBs. The framework covers the operations, financing, accountability and control of the NDPB, and the conditions under which any government funds are provided to the body. Such a framework is set out in a MSFM and aims to leave the body with the maximum operational flexibility consistent with full accountability to Parliament.



INVESTOR IN PEOPLE

4. Currently, sponsor Departments are required to agree a MSFM with the relevant spending team in the Treasury each time a new NDPB is created or an existing MSFM is revised. This can be a time-consuming process for both the Department and the Treasury.

5. Since there is much similarity in the core content of individual MSFMs, reflecting both *Government Accounting* and public expenditure control requirements, the Treasury believes that it will be cost effective to promulgate a model MSFM which Departments are free to use if they wish. Such a model is attached to this letter. This has been developed following consultation with Departments.

6. The requirement for Treasury approval of MSFMs will no longer apply in those cases where a MSFM conforms to the model. However, any significant variation proposed in individual cases, whether when the MSFM is first drawn up or is later revised, must be approved by the Treasury.

7. Several points should be noted on the model:

- the two parts of the model - the management statement and the financial memorandum are complementary and should be treated as a single document.
- where the model is used, most of the provisions in it will have to be incorporated in individual MSFMs, either for reasons of propriety or for public expenditure control purposes. However, given the variety of NDPBs, not all provisions will be relevant to every NDPB. For example, not all NDPBs generate income from services.
- it incorporates the best practice set out in PES(2000)25 on cascading end year flexibility in the context of three year planning.
- it provides for successively greater delegation by the Department. This should be considered in the light of evolving policy and operational needs and the track record of the NDPB itself, although certain provisions will continue to be required to comply with Parliament's requirements or for the purpose of public expenditure control.
- although we hope that the model will be used in the majority of cases, its use is not mandatory. Departments remain free to agree with the Treasury tailor-made documents for individual NDPBs or for their "family" of NDPBs. Equally, the model is not intended to replace any models already agreed bilaterally between any Department and its Treasury spending team which the Department wishes to retain.

8. The model takes account of a recommendation by the Public Accounts Committee in its report on "the Operation and Wind-up of Teesside Development Corporation" that Departments should target their oversight of sponsored bodies on those which pose the greatest risk, based on a periodic risk assessment of each body. The conclusion of such assessments may be that closer monitoring or control is justified in some instances. In which case, the new measures should be recorded in a revised MSFM. However, notwithstanding the terms of the MSFM, if a sponsored body is

judged to be failing to exercise proper control over its activities, the Department should take appropriate steps to intervene in its management.

Changes to the model

9. We will keep the model under review to ensure that it continues to provide a user friendly vehicle for drawing up or revising MSFMs, and that it reflects future changes in ***Government Accounting 2000*** and the public expenditure control framework.

10. Departments are also encouraged to submit proposals for improving the document. These should be sent to me in writing in the first instance.

ROB MOLAN
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