LSC Financial Memorandum

1. Please find attached Financial Memorandum between LSC and BIS signed by Simon Fraser BIS Permanent Secretary.

2. I have discussed with Louise Mellor and agreed that the signed version should go through David's Office prior to it being signed by Geoff Russell.

3. Once signed, grateful if your or Geoff's office could arrange for the hard copy of the signed version to be returned to me, and a pdf version emailed to me. Many thanks.

Leigh Fearn
Gifts and bequests received 11
Receipts from the EU 12
Borrowing 12
Reserves 12
VII. EXPENDITURE ON STAFF 12
Staff costs 12
Pay and conditions of service 12
Pensions 13
Redundancy/compensation 13
Non-Pay Rewards 13
VIII. NON-STAFF EXPENDITURE 14
Capital expenditure 14
Relations with Providers in Receipt of Programme Funds 14
Transfer of funds between budgets 15
Lending, guarantees, indemnities; contingent liabilities; letters of comfort 15
Grant or loan schemes 16
Gifts: write-offs, losses and other special payments 16
Leasing 16
Subsidiary companies and Joint Ventures 17
Public/Private Partnerships 17
Financial investments 17
Unconventional financing 17
Commercial insurance 18
IX. GRANT-IN-AID 18
End-year flexibility

X. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of Assets

Disposal of Assets

Recovery of grant-financed assets

XI. PROVISION OF MONITORING INFORMATION TO THE DEPARTMENT

XII. BANKING

Banking arrangements

XIII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

XIV. REVIEW OF FINANCIAL MEMORANDUM

Annexes

A  Grant-in-Aid Claim Form
B  Virement Rules
C  List of Delegated Limits
D  Certificate of Exemption for Employers Liability Insurance
E  Accounts Direction
F  Designation as Accounting Officer
G  Provision of Information
DEFINITIONS

For the purposes of this Memorandum:

‘Secretary of State’ means the Secretary of State for Business, Innovation and Skills

‘the Department’ means the Department for Business, Innovation and Skills

‘BIS’ means the Department for Business, Innovation and Skills

‘DCSF’ means the Department for Children, Schools and Families

‘DEL’ means the Departmental Expenditure Limit

‘AME’ means Annually Managed Expenditure

‘NPE’ means negative public expenditure

‘the Council’ means the Learning and Skills Council

‘month’ means calendar month

‘Resource Budget’ means an estimate of the resource to be consumed in year (as opposed to actual cash)

‘financial year’ means the 12 month period from 1 April to 31 March

‘the Act’ means the Learning and Skills Council Act 2000

‘HEFCE’ means the Higher Education Funding Council for England

‘Grant-in-Aid’ means the actual cash requirement in year

‘C&AG’ means the Comptroller and Auditor General

‘UK GAAP’ means UK Generally Agreed Accounting Practices

‘provider’ means a provider of education and training funded by the Council pursuant to its powers under the Act

‘Managing Public Money’ means the Treasury’s publication on how to handle public funds published by The Stationery Office; it replaces the previous guide ‘Government Accounting’.
I. INTRODUCTION

1. This Financial Memorandum is an agreement between the Department for Business, Innovation and Skills (BIS) and the Learning and Skills Council (LSC).

2. Following the Machinery of Government changes in June 2007, and June 2009, there are now two significant funders of the LSC: BIS and the Department for Children, Schools and Families (DCSF). This Financial Memorandum sets out the formal relationship between the LSC and BIS, its sponsoring department; and the other major funder of the LSC, the DCSF. This Memorandum should be read in conjunction with the DCSF/BIS Memorandum of Understanding which sets out how the two Departments will operate their finances in relation to the LSC, and the formal relationship that needs to operate between all parties (see 8 below).

3. Under the Act, the Secretary of State may give directions to the Council and may make grants to the Council subject to conditions. Pursuant to these powers this Financial Memorandum, which forms part of the Management Statement of the Council, sets out in detail aspects of the financial framework within which the Council is required to operate.

4. The terms and conditions set out in the Management Statement and Financial Memorandum may be supplemented by further directions issued by the Secretary of State in accordance with his powers under the Act.

5. The Council shall satisfy the conditions and requirements set out in the Management Statement and Financial Memorandum together with such other conditions as the Secretary of State may from time to time impose.

6. If there is any doubt, the Council should deem itself not to have received authority from the Secretary of State which it is required to obtain under the Act.

II. RELATIONSHIP BETWEEN BIS, DCSF AND LSC

7. Following the Machinery of Government changes in June 2007, and June 2009, LSC is now sponsored by BIS, but funded by both BIS and DCSF.

8. A Memorandum of Understanding (MoU) has been agreed between the two departments: 'Management of Funds Allocated to the Learning and Skills Council' (April 2008) which sets out the arrangements for funding the LSC and the appropriate accounting for budgets and expenditure between BIS and DCSF.

9. LSC budgets for BIS and DCSF must be managed on an individual basis. Virements of funding between the two departments are not allowed, as set out in para 65 and in Annex B.
III. THE COUNCIL’S BUDGETS

Setting the annual budget

10. In or by November of the year preceding the start of each financial year the Department will send to the Council a formal grant letter that will include its approved budgetary provision.

11. As a minimum the Grant Letter will set out the Council’s budgets for the next financial year and may include financial information relating to the remainder of the Spending Review cycle.

12. Any Grant-in-Aid allocated will be voted in both Departments Estimates and will be subject to Parliamentary control. The Council shall manage its cash flow within its Grant-in-Aid budget and alert the BIS if it becomes apparent that the budget is excessive or insufficient. As sponsor BIS will liaise with DCSF if the cash flows impact upon the DCSF voted grant. BIS needs to be notified of any final revisions to the Grant in Aid budget in December each year to feed into the Spring Supplementary Estimate process which is the last opportunity BIS has to adjust its overall G/A budgets in each financial year.

The Departmental Expenditure Limit (DEL)

13. The Council’s current and capital expenditure (whether in the form of grants to third parties or to purchase assets for its own use) form part of the Department’s Resource DEL, Capital DEL or AME. The Council shall manage its expenditure within the budgets allocated by the Department and its overall Resource DEL, Capital DEL and AME limits as notified through the grant letter and any subsequent updates.

Expenditure not proposed in the budget

14. The Council shall not enter into any undertaking to incur any expenditure which falls outside the Council’s powers under the Act, and shall not, without prior written Departmental approval, enter into any undertaking or incur expenditure which is not provided for in the Council’s budgets as approved by the Department.

IV. BUDGETING PROCEDURES

General conditions for authority to spend

15. Once the Council’s budgets have been set through the grant letter and any subsequent amendments, and subject to any restrictions imposed by Statute/the Secretary of State/this document, the Council shall have authority to incur expenditure to the limits of the budgets without further reference to the Department, on the following conditions:

15.1. The Council shall comply with the delegations set out in Annex C of this document. These delegations shall not be altered
without the prior agreement of the Department;

15.2. The Council shall comply with the conditions set out in paragraph 22 regarding novel, contentious or repercussive proposals;

15.3. Inclusion of any planned and approved expenditure in the Council’s budgets shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits set out in Annex B or is for new schemes not previously agreed. This formal approval should be obtained by the LSC writing to the Department and if Apprenticeship and/or DCSF related include the Director of Young People’s Participation and Attainment Group setting out the action they wish to take. If a decision is not received within 48 hours the LSC should take that as consent.

15.4. The Council shall provide the Department with such information about its operations, performance, individual projects or expenditure as the Department may reasonably require (See section XI below and Annex G).

15.5. The Council will maintain all of its legal obligations up until the point of dissolution. Given the critical nature of the transitional period up to dissolution, any policy or operational changes which will have a material impact on the administration budget of the Council must be discussed with both Departments in advance.

V. THE COUNCIL’S EXPENDITURE - GENERAL

Procurement

16. The Council’s procurement policies shall reflect guidance from the Office of Government Commerce including Procurement Policy Guidelines. The Council shall also ensure that it complies with any relevant EU or other international procurement rules.

17. Periodically and wherever practicable the LSC’s procurement provision shall be benchmarked against best practice elsewhere and may be contracted out where this would achieve better value for money. For very small purchases, the LSC can use the Government Procurement Card.

Competition

18. Procurement should be on a competitive basis and tenders accepted from suppliers who provide best value for money overall. The LSC can use existing contracts or framework agreements that are made available to them and where the goods or services required are within the scope of the contract or framework agreement.
19. Given the requirements above, proposals to let non-competitive contracts, whether as a single or otherwise restricted tender, should be extremely rare.

**Value for money (VfM)**

20. Procurement by the Council of works, equipment, goods and services shall be based on VfM, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

**Timeliness in paying bills**

21. The LSC shall collect receipts and pay all matured and properly authorised invoices in accordance with either the terms of contracts or, wherever possible, within 10 days of the invoice/date of delivery in line with the Government’s commitment in October 2008 set out in A4.6.3 of Annex 4.6 of *Managing Public Money*. As a minimum, the LSC shall comply with the Late Payment of Commercial Debts (Interest) Act 1998 which allows creditors to claim statutory interest and compensation on late payment of commercial debts. Payments made over 30 days are regarded as late and can lead to payment of interest, as set out in A4.6.4 of Annex 4.6.

**Novel, contentious or repercussive proposals**

22. The Council, in order to ensure propriety and regularity, shall obtain the approval of the Department before incurring or committing itself to any expenditure for any purpose:

   22.1. that is or might be considered to be novel (i.e. outside the normal course of the LSC’s business) or contentious; or

   22.2. that has or could have significant future cost implications for Government funding of the Council for a period that is outside that covered by the current Grant Letter; or

   22.3. that involves making changes of policy or practice which have wider financial implications (eg that might prove repercussive among other public sector bodies) or which may significantly affect the future level of resources required.

**Risk management**

23. The Council 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 – Principles and Concepts*”.
24. The Council 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”.

25. The Council 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 when it intends to give grant.

VI. INCOME - GENERAL

26. The Council does not have any right to spend beyond the limit of each of the resource budgets set out in the Grant Letter and any subsequent updates except within the flexibilities set out in this financial memorandum.

Wider markets

27. In accordance with the wider markets policy the Council shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with:

- the Council’s main functions
- its corporate plan as agreed with the Department.

FORECAST INCOME

Income from sale of goods or services etc

28. Fees or charges for any services supplied by the Council shall be determined in accordance with the Treasury’s Fees and Charges Guide, and the Freedom of Information Act.

29. 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.

30. Income generated above the forecast level normally provides additional spending power however the Department must be asked to approve, see para 36.

Fines, taxes and other receipts

31. 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.

32. Such receipts should either be surrendered to the Department or, if retained, will reduce the need for Grant-in-Aid.
Interest earned

33. 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.

34. 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

35. If the income realised or expected to be realised in-year is less than estimated, the LSC shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised DEL provision is not exceeded.

36. If the income realised or expected to be realised in the year is more than estimated, the 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

37. Expenditure against the Department's DEL includes that financed by the draw-down of deposits. The effect on the Department's DEL of the build-up of deposits depends on the nature of the income received and its treatment as specified in this document.

38. The Council will ensure that it has the necessary provision in its Resource Budgets for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

39. Recovery of grant-financed assets are dealt with in Section IX.

Gifts and bequests received

40. The Council is free to retain any gifts, bequests or similar donations. These shall be treated as NPE income. However, before accepting a gift the Council shall consider if there are any associated costs or any conflicts of interests arising.

41. The Council shall keep a written record of any such gifts, bequests and donations (including those given) and of their estimated value and whether
they are disposed of or retained.

**Receipts from the European Union (EU)**

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

**Borrowing**

43. The Council has no power to borrow money.

44. The Council shall, however, make payments to local authorities in respect of the charges on loans, which have been accepted for inclusion in the debt charge reimbursement scheme. Such payments are regulated by the terms and conditions and set out in the Education (Excepted Loan Liabilities) (Prescribed Class) Order 1993 made under section 38 of the Further and Higher Education Act 1992. Under the terms of the Order, the number of instalments by which the amounts of principal may be paid shall not exceed 25, and any such instalments shall be of equal amount paid on 1st October in each year. No payment may be made in respect of any interest accrued before 1 April 1993. Any interest payable shall be payable on the 1st October each year in respect of the period from the preceding 1st April to the following 31st March. The Department will advise on interest rate changes.

**Reserves**

45. The Council will not use grant or Grant-in-Aid to set up any reserves other than a General Reserve, a Deferred Government Grant reserve, and a Donated Asset reserve. Funds in any reserve may be a factor for consideration when Grant-in-Aid is determined.

**VII. EXPENDITURE ON STAFF**

**Staff costs**

46. Subject to its delegated levels of authority the Council shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them, or exceed its administration budget.

**Pay and conditions of service**

47. The staff of the Council, 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 and the Treasury. The Council has no delegated power to amend
these terms and conditions.

48. Current terms and conditions for staff of the Council are those set out in its standard employment contract and accompanying policies and procedures. The Council shall provide the Department with a copy of these and subsequent amendments.

49. The travel expenses of Board Members shall be tied to the rates allowed to senior staff of the Council.

50. The Council shall operate a performance-related pay scheme, which shall form part of the annual aggregate pay structure approved by the Department.

51. The Council must at all times ensure that its employment practices accord with the relevant legislation.

**Pensions**

52. The Council's staff shall normally be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS). Staff may opt out of the occupational pension scheme provided by the Council.

53. Any proposal by the Council to move from the existing pension arrangements should follow the guidance in the public service pensions Guidance Papers on the Treasury web page, Public Service Pensions at http://www.hm-treasury.gov.uk/tax_pensions_index.htm. Should staff choose to opt out of the occupational pension scheme provided by the Council, the Council will not normally provide a contribution to any personal pension arrangement, including a stakeholder pension.

**Redundancy/compensation**

54. Any proposal to pay any redundancy or compensation for loss of office, over and above Civil Service Compensation Scheme, requires the approval of the Department. Proposals on special **severance payments** (payments in excess of, or outside of, statutory or contractual entitlements) must comply with A.4.13.9 - 4.13.16. of Annex A4.13 of *Managing Public Money*.

**Non-pay rewards**

55. Gifts to staff, benefits and other non-pay rewards are subject to the requirements of the guidance in Treasury's Handbook *Regularity, Propriety and Value for Money* and Cabinet Office guidance including the 'Pay and Reward Principles' at http://www.cabinetoffice.gov.uk/workforcematters/pay_and_rewards.aspx. Advice should be sought from HMRC on the tax treatment of any benefits in kind and 'Tax on Company cars and other benefits'
http://www.hmrc.gov.uk/working/company-cars.htm. The Council must take account of para 22 and, additionally, always seek approval from the Department where expenditure would be outside their delegated authorities or there is a possibility that Treasury approval will be required.

56. Board members and staff may receive the offer of hospitality and gifts from external sources. All Board members and staff should be familiar with the principles set out in Regularity, Propriety and Value for Money and the related reading in its Annex A.

VIII. NON-STAFF EXPENDITURE

Capital expenditure

57. Subject to being above the capitalisation threshold of £5,000 for individual assets, and £1,000 for individual assets grouped together to form a collective asset established in the Council's accounting policies, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in line with the LSC's Fixed Assets Policy.

58. Expenditure to be capitalised shall include the

58.1. acquisition, reclamation or laying out of land;

58.2. acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings;

58.3. acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

59. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Council’s corporate planning process. Applications for approval by the Department shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to the Department.

60. Within its approved overall Capital Resource limit the Council shall, as indicated in the attached Annex C on delegations, have delegated authority to spend up to 20% of its budget 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.

Relations with providers in receipt of programme funds

61. Funds shall be paid only to providers who have agreed to the terms of the LSC’s Conditions of Funding.

62. The Council shall monitor the financial health of providers and, as part of this duty, keep their level of balances under review. This duty shall be
exercised in a manner consistent with the Act. The Council should have due regard to the desirability of not discouraging any provider from maintaining or developing its funding from other sources; and not to impose terms and conditions relating to the application by providers of any sums derived otherwise than from the Council. The Council shall have in place appropriate arrangements for recovering money paid to providers, which has not been spent, or has been spent on purposes other than those for which it was allocated.

63. Where the Council pays grant for the provision of post-16 education and training to providers within the higher education sector pursuant to the Act, it may attach such terms and conditions as they see fit to such payments and shall seek to ensure that any such grant is used for the purposes in respect of which the payment is made in accordance with demonstrated need.

Transfers of funds between budgets

64. HMT budgeting rules do not permit transfers from capital to resource budgets. Transfers from resource budgets to capital budgets are permitted in accordance with the rules set out in Annex B, and should be discussed with the relevant Department. However, if agreed, any transfer from resource to capital would have a double impact on the resource budgets, as there is a commensurate reduction in the resource budgets and additional non-cash charges to Depreciation and Cost of Capital resulting from the additional capital spend. HMT budgeting rules do not permit transfers from non-cash to near-cash budgets without departmental approval. While the budgeting rules do allow transfers from near-cash to non-cash, this is usually undesirable and should be avoided if possible. If a near-cash to non-cash transfer is proposed this must be agreed with the relevant Department.

65. Virements between BIS and DCSF funded programmes are not allowed without the explicit approval of both departments.

66. Virements between BIS funded blocks, and between DCSF funded blocks are subject to the detailed virement rules applying to the budgets through which the Council is funded, as set out in Annex B.

67. The written consent of the Secretary of State is required for virements outside the limits stated. Ring-fenced elements of funding may exist within these budgets. The Department will advise the Council of such elements of funding and the nature of the ring-fencing that applies and the Council will comply with the conditions attached to the funding. Annex B sets out the detail of the virement rules as now applying.

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

68. The Council 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 Annex
5.5 of *Managing Public Money*), whether or not in a legally binding form.

69. Where consent is given by the Secretary of State or under the Learning and Skills Act 2000, any financial guarantees and indemnities given by the Council must be adequately covered against undrawn resources.

70. The LSC should review as early as possible in each financial year whether it will need to set up any new provisions and agree how the costs of the provisions are met with BIS and DCSF as appropriate. Proposals to set up new provision should be agreed by the time of the Spring Supplementary Estimate, where the requirement for a provision is foreseeable and can be reasonably estimated in accordance with International Accounting Standards. However if a provision is set up after the Spring Supplementary Estimate BIS are unlikely to have sufficient non-cash cover to meet this provision. Setting up a provision will result in non-cash expenditure in the year it is set up, followed by near-cash expenditure in each of the years when the relevant payments are made alongside equivalent non-cash credits (for the release of the provision). It is important to note that while the net effect in the years when the payments are made is neutral in terms of the overall resource budget, the need to separate near-cash and non-cash means that it effectively implies a restriction on the near-cash budget.

**Grant or loan schemes**

71. All proposals to make a loan to a third party shall be subject to prior written approval by the Department, together with the terms and conditions under which the loan is made. Assistance to colleges in financial difficulty is excluded from this paragraph but should be subject to a business case agreed between the college and the Council.

72. 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 loan are readily available for inspection by the Council, the Department and the C&AG.

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

73. Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in Annex C to this document must have the prior approval of the Department.


**Leasing**

75. Prior Departmental approval must be secured for all property and
finance leases. Before entering into any lease (including an operating lease) the Council shall demonstrate that the lease offers better value for money than purchase.

76. The Council must ensure that it has the necessary capital DEL provision for finance leases and other transactions, which are in substance borrowing (See paragraphs 43 & 44).

**Subsidiary companies and joint ventures**

77. The LSC 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 objective and current Public Service Agreements.

78. Any subsidiary company or joint venture controlled or owned by the Council shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes, subject to any particular treatment required by UK GAAP. 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**

79. The Council 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 the Council shall consult the Department.

80. Any partnership controlled by the Council shall be treated as part of the Council in accordance with UK GAAP and consolidated with it, subject to any particular treatment required by UK GAAP. 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**

81. The Council 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 that further the objectives of the Council shall equally be subject to Departmental approval unless covered
by a specific delegation.

**Unconventional financing**

82. Unless otherwise agreed with the Department, the Council shall not enter into any unconventional financing arrangement. If unsure, the Council should consult the Department.

**Commercial insurance**

83. The Council 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 Chapter 4.4 and Annex 4.5 of *Managing Public Money*.

84. The Department shall have a written agreement with the Council 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 the Council's targets shall be considered.

85. A Certificate of Exemption for Employer's Liability Insurance has been issued to the Council (see Annex D).

**IX. GRANT-IN-AID**

86. Grant-in-Aid is the net funding required to enable the Council to meet its agreed resource expenditure. Grant-in-Aid will be paid to the Council in monthly instalments, on the basis of a written application from the Council showing evidence of need. The application (Annex A) shall certify that the conditions applying to the use of Grant-in-Aid have been observed to date and that further Grant-in-Aid is now required for purposes appropriate to the Council's functions.

87. The LSC should have regard to the guidance enshrined in Annex 5.1 in *Managing Public Money* that it should seek Grant-in-Aid according to need.

88. Cash balances accumulated during the course of the year from Grant-in-Aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the Council. The Department considers a level of 1% of annual Grant in Aid to be a suitable guideline level for cash balances.

89. 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

90. The Council will not automatically carry forward any current or capital underspends. The use of end-year flexibility by the LSC will be discussed at regular performance reviews with the Department. If EYF drawdown is permitted it will be confirmed at a fixed point in the year when accurate expenditure information is available from the LSC.

91. Each Department reserves the right to recover underspends where these are required to meet pressures elsewhere. This will be where:

91.1. Underspends are required to meet other Departmental PSAs or other priorities, which would not otherwise be met and the Council has sufficient resource to meet its own targets; or

91.2. There are, exceptionally, unavoidable overspends elsewhere in that Department that have to be funded where resources from elsewhere to cover the overspends cannot be found; or

91.3. The Treasury is obliged to withdraw or limit that Department’s EYF.

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

X. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

93. The Council shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

94. The Council shall dispose of assets which are surplus to its requirements in line with its Fixed Assets, Depreciation and Disposals Policy. Assets shall be sold for best price, taking into account any costs of sale. The Council should take professional advice when disposing of land and property assets. Plant, machinery, office equipment, furniture and consumable stores should be sold by public auction as seen; or by open tender, in accordance with Managing Public Money, Annex 4.8.

95. The Council may normally retain receipts derived from the sale of

---

1 The provision of End Year Flexibility (EYF) allows the department to carry forward unspent resources for use in future years, helping to avoid wasteful end-year spending surges. EYF is determined by the actual spending of the Council in resource terms, whether or not this is financed by grant-in-aid. Therefore it is the Council's under spending in resource terms (DEL) which generates any EYF which the department may decide to cascade down to the Council – not any unused Grant-in-Aid.
assets provided that:

95.1. The Department and, where appropriate, the Treasury are content for the Council to retain these receipts;

95.2. They are used to finance other capital spending;

95.3. The Department receives prior notification of individual sales; and

95.4. Total sales in any financial year do not exceed £1m.

96. If, notwithstanding the above, the Council 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 the Council's Grant-in-Aid. If the proposed new investment is novel or contentious, the Department's and the Treasury's approval will be needed.

97. If the criteria in paragraph 94-96 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (see paragraphs 35 & 36).

**Recovery of grant-financed assets**

98. Where the Council has financed expenditure on capital assets by a third party, the Council shall make appropriate arrangements to ensure that any such assets above a value of £1000 are not disposed of by the third party without the Council's prior consent.

99. The Council 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.

100. The Council shall ensure that if the assets created by grants made by the Council 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 the Council for surrender to the Department. The amounts recoverable under the procedures in paragraphs 98 and 99 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.

**XL PROVISION OF MONITORING INFORMATION TO THE DEPARTMENT**
101. To a level of detail specified by the Department, the Council shall provide information to enable the Department to monitor the Council's actual, profiled and forecast income and expenditure, delivery performance and cash requirements. The Council will also provide a copy of the Corporate Risk Register; and will also be required to report by exception any issues requiring BIS or Ministerial involvement. Annex G summarises the information currently required.

XII. BANKING

Banking arrangements

102. The Council's Accounting Officer is responsible for ensuring that the Council's banking arrangements are in accordance with the requirements of Managing Public Money Chapter 5.8 and Annex 5.7 (currently subject to a review) and the Treasury guidance document Departmental Banking: a Manual for Government Departments. In particular the Accounting Officer shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively. The Accounting Officer appointment letter is attached as Annex F.

103. The Accounting Officer shall therefore ensure that:

103.1. 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;

103.2. Sufficient information about banking arrangements is supplied to the Department's Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 3.3 of the Management Statement);

103.3. The Council's banking arrangements shall be kept separate and distinct from those of any other person, Council or organisation;

103.4. Adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.
XIII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

104. The Council shall comply with the following general guidance documents:

- This document (both the Management Statement and the Financial Memorandum);
- *Managing Public Money* issued by the Treasury;
- *Public Bodies - a Guide for Departments*, issued by the Cabinet Office;
- *Government Internal Audit Standards*, 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, Propriety and Value for Money*, issued by the Treasury;
- *Consolidated budgeting guidance*, (this guidance is available as a PDF download from HMT website click here to open);
- 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 the Council;
- Procurement Policy Guidelines (the guidance is available from OGC website click here to open);
- Wider Markets Initiative (the guidance is available from the HMT website click here to open).

XIV. REVIEW OF FINANCIAL MEMORANDUM

105. This Financial Memorandum will not be reviewed again prior to the LSC’s dissolution, unless there are compelling operational reasons.

106. The Treasury will be consulted on any significant variation proposed to this Financial Memorandum and the associated Management Statement.
Effective Date

107. The Secretary of State’s representative and the Chief Executive of the Council or their representative sign below, and on a duplicate copy, their acceptance of the terms and conditions of this Memorandum, which are effective from the date of signing. This agreement shall be held by the Council and the duplicate copy by the Department.

Signature ....................................................... 

Name: Simon Fraser

Position: Permanent Secretary, Department for Business, Innovation, and Skills

Date: 16/6/2009

(On behalf of the Secretary of State)

Signature ....................................................... 

Name in block capitals: G.S. Russell

Position: CEO

Date: 10/6/2009

(On behalf of the Learning and Skills Council)
# Annex A

## Grant in Aid Claim for Payment - Statement of Cash Needed

### Part 1 - Invoice Details
- PMG Account Number: [ ]
- Financial Year: [ ]
- Month of Claim: [ ]
- Date Claim Submitted: [ ]

**Note:** "Month of Claim" is the month for which grant is being sought.

### Part 2 - Claim Details

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. PMG Balance on date claim submitted:</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>b. Balance in other LSC Accounts on date claim submitted</td>
<td>[ ]</td>
<td></td>
</tr>
<tr>
<td>c. Total Balance on date claim submitted (a + b)</td>
<td>[ ]</td>
<td></td>
</tr>
</tbody>
</table>

**Note 2:** If this figure varies from your profile by more than +/- 5%

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>d. Forecast Payments from date claim submitted to end of that month</td>
<td>[ ]</td>
</tr>
<tr>
<td>e. Forecast Receipts from date claim</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

**Note 3:** "Previous Month" is the month prior to the month in which this claim is actually submitted (ie the latest month end balance known).

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>f. Net Forecast Payments to end of current month (d - e)</td>
<td>[ ]</td>
</tr>
<tr>
<td>g. Forecast Opening Balance for month of claim (c - f)</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>h. Estimated Payments in month of claim:</td>
<td>[ ]</td>
</tr>
<tr>
<td>i. Estimated Receipts in month of claim:</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>j. Net Payments in month of claim (h - i)</td>
<td>[ ]</td>
</tr>
<tr>
<td>k. Required Balance at end of month of claim:</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>l. CLAIM FOR MONTH (j + k - g): (See Note 3 at line f)</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
### VIREMENT RULES

#### 1) VIREMENTS WITHIN BIS BUDGETS

<table>
<thead>
<tr>
<th></th>
<th>Adult Participation (Block A)</th>
<th>BIS Learner Support and Development (Block B)</th>
<th>BIS Capital (Block C)</th>
<th>Admin (Block D)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FROM</strong></td>
<td>Adult Participation (Block A)</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>BIS Learner Support and Development (Block B)</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>BIS Capital (Block C)</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>Admin (Block D)</td>
<td>YES*</td>
<td>YES*</td>
<td>YES*</td>
</tr>
</tbody>
</table>

**From: Adult Participation (Block A)**

- **To: Learner Support & Development**
  Yes, providing neither the source budget or receiving budget change by more than 5% of the initial Grant Letter Total

- **To: Capital**
  Yes, providing neither the source budget or receiving budget change by more than 5% of the initial Grant Letter Total

- **To: Admin**
  No. Departmental approval needed

**From: Learner Support & Development (Block B)**

- **To: Adult Participation**
  Yes, providing neither the source budget or receiving budget change by more than 5% of the Grant Letter Total

- **To: Capital**
  Yes, providing neither the source budget or receiving budget change by more than 5% of the Grant Letter Total

- **To: Admin**
No. Departmental approval needed

**From: Capital (Block C)**

**To: Adult Participation**
No. Departmental approval needed

**To: Learner Support & Development**
No. Departmental approval needed

**From: Admin (Block D)**

**To: Adult Participation**
Yes, providing neither the source budget or receiving budget change by more than 5% of the Grant Letter Total. But see * below.

**To: Learner Support & Development**
Yes, providing neither the source budget or receiving budget change by more than 5% of the Grant Letter Total. But see * below.

**To: Capital**
Yes, providing neither the source budget or receiving budget change by more than 5% of the Grant Letter Total. But see * below.

* **But note that:**
No virement out of Own Capital line without departmental permission
No virement out of Depreciation and Cost of Capital lines without departmental permission
Virements allowed from and between Pay and Non-Pay
No virements from Pay and Non-Pay into other Admin lines without departmental permission
No virement out of Provisions without departmental permission.
## 2) VIREMENTS WITHIN DCSF BUDGETS

<table>
<thead>
<tr>
<th>FROM</th>
<th>Youth Participation (Block A)</th>
<th>DCSF Learner Support and Development (Block B)</th>
<th>DCSF Capital (Block C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth Participation (Block A)</td>
<td></td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>DCSF Learner Support and Development (Block B)</td>
<td>YES</td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>DCSF Capital (Block C)</td>
<td>NO</td>
<td>NO</td>
<td></td>
</tr>
</tbody>
</table>

### From: Youth Participation (Block A)

**To: Learner Support & Development**
Yes, providing neither the source programme budget or receiving programme budget change by more than 5% or £2m, which ever is lower.

**To: Capital**
Yes, providing neither the source programme budget or receiving programme budget change by more than 5% or £2m, which ever is lower.

### From: Learner Support & Development (Block B)

**To: Youth Participation**
Yes, providing neither the source programme budget or receiving programme budget change by more than 5% or £2m, which ever is lower.

**To: Capital**
Yes, providing neither the source programme budget or receiving programme budget change by more than 5% or £2m, which ever is lower.

### From: Capital (Block C)

**To: Youth Participation**
No. Departmental approval needed

**To: Learner Support & Development**
No. Departmental approval needed
**LIST OF DELEGATED LIMITS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single tenders 2 that meet the derogations set down in the EU Procurement Directives and are below (see point A)</td>
<td>£25,000</td>
</tr>
<tr>
<td>Selective Tendering 3</td>
<td>£20,000</td>
</tr>
<tr>
<td>Restricted Tendering 4</td>
<td>EU Thresholds apply</td>
</tr>
</tbody>
</table>

Where existing contracts or framework agreements are in place, LSC could use these arrangements where the contract or framework agreement is made available to the LSC and the goods or services required are within the scope of the contract or framework agreement.

For very small purchases, LSC could use the Government Procurement Card where appropriate.

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital – single project or acquisition</td>
<td>20% of own Capital Resource budget</td>
</tr>
<tr>
<td>Single grant or Loan to third party</td>
<td>£50,000</td>
</tr>
<tr>
<td>Losses &amp; Write offs</td>
<td>see point B</td>
</tr>
<tr>
<td>Special payments</td>
<td>see point C</td>
</tr>
<tr>
<td>Gifts</td>
<td>see point D</td>
</tr>
<tr>
<td>Disposal of Surplus Equipment</td>
<td>see point E</td>
</tr>
</tbody>
</table>

---

2 **Single tender**: A single tender may be used in exceptional circumstances, and where it is in the public interest. Tenders are invited from a single supplier or are negotiated with a supplier already engaged by the LSC. There is no lower limit where single tendering is appropriate. Even low value single tenders must meet one of the strict criteria (known as derogations) set down in the EU Directives.

3 **Selective process (not a designated EU process)**: This is where a small number of organisations are selected, against a defensible criteria, to tender. All received bids are evaluated. The important aspect of the process is the selection criteria - it has to be objective, i.e it should not be based on just previous suppliers, proper market research should have been undertaken. Best practice is to select more than 5 to ensure competition.

4 **Restricted Tendering Procedure (EU process)**: The Restricted Procedure is a two-stage process which allows the LSC to draw up a short-list of interested parties by undertaking a selection/pre-qualification stage, prior to the issue of invitation to tender documents. A sufficiently promoted advert invites organisations to either send in specified qualification information, or complete a pre-qualification questionnaire (PQQ). The PQQ/qualification information is evaluated and those satisfying the selection criteria are invited to tender. The number invited to tender can either be a pre-decided and notified number (not less than 5), or all those organisations that score above a pre-decided and notified score. All received bids are then evaluated.
A: Single Tender. Single tenders are against the principles of the EU Procurement rules. However, if the LSC deems it necessary to let a contract by this method they must ensure that it is supported by a robust, defensible, auditable business case. The LSC must have a set of strong internal controls in place to minimise the instances where single tenders are used which includes authority for approval residing at a senior level within the organisation. The LSC must inform the Department of all contracts let in this way in a quarterly report.

B: Losses & Write off. The Chief Executive shall have the personal authority to write off losses, up to a limit of £10,000 for an individual claim, within a total ceiling for write-offs in any one financial year of £250,000 as per the following table. The table groups losses into categories to help decide how individual cases should be handled.

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Losses</td>
</tr>
<tr>
<td>i</td>
<td>cash losses: physical losses of cash and its equivalents (e.g. bank notes, credit cards, electronic transfers, payable orders)</td>
</tr>
<tr>
<td>ii</td>
<td>Bookkeeping losses - because of unvouched or incompletely vouched payments, including cases where vouchers are missing;</td>
</tr>
<tr>
<td>iii</td>
<td>Exchange Rate Fluctuations. Losses due to fluctuations in exchange rates or revaluations of currencies.</td>
</tr>
<tr>
<td>iv</td>
<td>Losses of pay, allowances and superannuation benefits paid to employees of non-departmental public bodies:</td>
</tr>
<tr>
<td></td>
<td>□ overpayments due to miscalculation, misinterpretation, or missing information;</td>
</tr>
<tr>
<td></td>
<td>□ unauthorised issues e.g. inadmissible payments</td>
</tr>
<tr>
<td>B</td>
<td>Losses of accountable stores:</td>
</tr>
<tr>
<td>i</td>
<td>□ proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores, etc. even where a legal claim is not possible)</td>
</tr>
<tr>
<td>ii</td>
<td>□ losses arising from other causes.</td>
</tr>
<tr>
<td>C</td>
<td>Fruitless payments and constructive losses</td>
</tr>
</tbody>
</table>

C: Special Payments. The Chief Executive shall also have the personal authority to make special payments up to a limit of £1,000 for each case within a total limit of £10,000 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.

D: Gifts. The LSC should have a policy on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgement or integrity and ensure that all staff are made aware of this. Where such benefits have been received they should be recorded in a register detailing occasions, the nature of the benefit and the donor, in case of later complaint.

The body may make gifts of a trivial or inexpensive nature such as mugs and pens bearing the LSC names and/or logos. Similarly, for promotional purposes, small value items such as gift tokens, CDs may be used as prizes for external competitions.

Gifts/vouchers to staff are generally inappropriate other than as part of a recognised non-pay reward scheme (see para 74).

E: The LSC 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 the LSC 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.
ANNEX D

DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS

EMPLOYERS' LIABILITY (COMPULSORY INSURANCE) ACT 1969

In accordance with the provision of Regulation 3(a) of the Employers' Liability (Compulsory Insurance) Exemption Regulations 1971 (SI 1971/1933) as amended by Regulation 2(a) of the Employers' Liability (Compulsory Insurance) (Amendment) Regulations 1974 (SI 1974/208) the Secretary of State for Business, Innovation and Skills hereby certifies that any claim established against the Council in respect of any liability to its employees 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 by money provided by Parliament.

Signature

Name: Simon Fraser

Position: Permanent Secretary, Department for Business, Innovation, and Skills

Date: 15/06/05

(On behalf of the Secretary of State)
ACCOUNTS DIRECTION

The Learning and Skills Council


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 the Learning and Skills Council shall prepare accounts for the financial year ended 31st March 2009 and subsequent financial years in accordance with:

a. Government Financial Reporting Manual (FRReM);

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 for Business, Innovation and Skills;

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

Signature

Name: Simon Fraser

Position: Permanent Secretary, Department for Business, Innovation, and Skills

Date: 17.10.05

(On behalf of the Secretary of State)
Dear Geoff

LEARNING AND SKILLS COUNCIL – DESIGNATION AS ACCOUNTING OFFICER

I am writing to formally appoint you as the Accounting Officer for the Learning and Skills Council for the grant-in-aid account of that body from 23 March 2009.

I enclose a copy of the Treasury Memorandum "The Responsibilities of an NDPB Accounting Officer" which explains your relationship with me as principal Accounting Officer for the Department of Innovation Universities and Skills, and the specific responsibilities that are placed on you as Accounting Officer for the Learning and Skills Council.

You should also review Chapter 3 of Accounting for Public Money. The chapter sets out the personal responsibilities of all Accounting Officers. Essentially Accounting Officers must be able to assure Parliament and the public of high standards of probity in the management of public funds.

In summary, 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 Council’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.

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

Please also refer to the Treasury handbook "Regularity, Propriety and Value for Money (Nov 2004)" which is designed primarily for Accounting Officers and which
explains the high standards of propriety expected of those involved in the stewardship of public funds, and the importance of public accountability. The electronic version of the handbook is available from the Treasury website: http://www.hm-treasury.gov.uk/documents/financial_management/governance_government/pss_aud_regpros04.cfm

These themes are further developed in the National School of Government training course *An Introduction to Public Accountability for Chief Executives*. It is essential that you receive training at the earliest opportunity. You should initially contact Jeff Linsdell (Programme Manager) at the School on 01344 634622. I should be grateful if you will write and confirm when you have completed this training.

I should also explain that your designation as Accounting Officer may be withdrawn if I conclude that you are no longer a fit person to carry out the responsibilities of an Accounting Officer or that it is otherwise in the public interest that your designation be withdrawn. I would not take such a decision without full and careful examination of the facts which you would have a suitable opportunity to contribute to and to add your viewpoint. Nor would I take such a decision without giving your Chair a full account of my reasons as well as a chance to make representations. Withdrawal of Accounting Officer status would obviously bring into question your fitness for the position of Chief Executive generally.

If you ever have any concerns about the course of action you should follow, please do not hesitate to contact me or my colleagues here.

I am copying this letter (without enclosures) to the Chair of the Learning and Skills Council; Edward Leigh, Chairman of the Public Accounts Committee; Phil Willis MP, Chairman of the Innovation, Universities and Skills Select Committee; Barry Sheerman, Chairman of the Children, Schools and Families Select Committee; Tim Burr, NAO Comptroller and Auditor General; David Bell, Permanent Secretary of the Department of Children, Schools and Families; David Thomson Treasury Officer of Accounts and Rod Clark, Principal, National School of Government.


IAN WATMORE
### ANNEX G

**PROVISION OF INFORMATION**

<table>
<thead>
<tr>
<th>Description of information required</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profiles of draw-down of Grant-in-Aid</td>
<td>At the start of the year then updated monthly</td>
</tr>
<tr>
<td>Profiles of resource consumption by Monthly Forecast Outturn category (formerly known as GEMS)</td>
<td>At the start of the year then as agreed before the start of the new financial year</td>
</tr>
<tr>
<td>Cumulative resource budget expenditure against profile</td>
<td>Monthly (June onwards)</td>
</tr>
<tr>
<td>Cumulative programme area expenditure against profile</td>
<td>Monthly (June onwards)</td>
</tr>
<tr>
<td>Cumulative Monthly Forecast Outturn category expenditure against profile</td>
<td>Monthly (June onwards)</td>
</tr>
<tr>
<td>Forecast resource budget expenditure against budget</td>
<td>Monthly (September onwards)</td>
</tr>
<tr>
<td>Forecast programme area expenditure against budget</td>
<td>Monthly (September onwards)</td>
</tr>
<tr>
<td>Forecast Monthly Forecast Outturn category expenditure against budget</td>
<td>Monthly (September onwards)</td>
</tr>
<tr>
<td>Programme area delivery performance</td>
<td>Monthly (June onwards)</td>
</tr>
<tr>
<td>Requests for virements carried out under the Council's delegated authority</td>
<td>At beginning of year and at agreed review points</td>
</tr>
<tr>
<td>Daily cash expenditure forecasts</td>
<td>Monthly</td>
</tr>
<tr>
<td>Mid Year Review of performance to date and forecast</td>
<td>October or as notified</td>
</tr>
<tr>
<td>End Year Review of performance to date and forecast</td>
<td>January or as notified</td>
</tr>
<tr>
<td>Year End Review of performance</td>
<td>April or as notified</td>
</tr>
<tr>
<td>Annual Accounts</td>
<td>By mid July</td>
</tr>
<tr>
<td>Information for Whole of Government Accounts</td>
<td>To meet deadlines notified in DCM/DCO letters</td>
</tr>
<tr>
<td>Provision of Corporate Risk Register</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Issues requiring BIS or Ministerial involvement.</td>
<td>By exception</td>
</tr>
</tbody>
</table>