MANAGEMENT STATEMENT FOR THE WESTMINSTER FOUNDATION FOR DEMOCRACY

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This framework document has been drawn up by the Foreign and Commonwealth Office (hereafter “the FCO”) in consultation with the Westminster Foundation for Democracy (hereafter “WFD”) and replaces the Management Statement and its associated Financial Memorandum dated 14 July 2004. This document sets out the broad framework within which the WFD will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by the FCO and the WFD. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the WFD website.

1. Purpose of the WFD
1.1 The WFD has been set up in order to support the strategic aims of the sponsor department. The Memorandum of Association and Articles of Association set out the WFD’s aim of helping to establish and strengthen pluralist democratic institutions, particularly parliaments and political parties, in countries where these are absent, of recent foundation, or in need of further encouragement and development.

2 WFD legal origins of powers and duties
2.1 The WFD is established under The Companies Act 2006. It is a private Company Limited by Guarantee with no share capital. The constitution of the WFD is set out in section three of the Memorandum of Association dated 24 February 1992. The WFD does not carry out its functions on behalf of the Crown.

3 Overall aims
3.1 Subject to the Memorandum and Articles of Association, the current strategic objectives of the WFD are as follows:

- To contribute to democracy, stability and good governance in post-conflict countries and fragile states
- To improve engagement in political processes in weak, emerging or developing democracies
- To be a results and learning orientated organisation delivering programmes of the highest quality

4 Ministerial responsibility
4.1 The Secretary of State for Foreign and Commonwealth Affairs (hereafter “Foreign Secretary”) acting through ministers and officials of the Foreign and Commonwealth Office (hereafter “FCO”) will account for the WFD’s business in Parliament. His/her responsibilities include:

- approving the WFD’s strategic objectives and the policy and performance framework within which the WFD will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping Parliament informed about the WFD’s performance;
• approving the amount of grant-in-aid to be paid to the WFD, and securing Parliamentary approval;

• carrying out responsibilities specified in the Memorandum of Association and Articles of Association including appointments to the Board, approving the terms and conditions of Board members, approving the appointment by the Board of the Chief Executive, and laying of the annual report and accounts before Parliament.

5 The FCO’s Accounting Officer’s specific accountabilities and responsibilities
5.1 The Permanent Under Secretary, the FCO’s Accounting Officer (AO), has designated the Chief Executive as the WFD’s Accounting Officer. (The respective responsibilities of the AO and Accounting Officers for NDPBs and other arm’s length bodies are set out in Chapter 3 of Managing Public Money, which is sent separately to the WFD Accounting Officer on appointment.)

5.2 The FCO’s AO is accountable to Parliament for the issue of any grant-in-aid to the WFD. The FCO’s AO is also responsible for advising the responsible minister:

• on an appropriate framework of objectives and targets for the WFD in the light of the department’s wider strategic aims;

• on an appropriate budget for the WFD in the light of the sponsor department’s overall public expenditure priorities;

• how well the WFD is achieving its strategic objectives and whether it is delivering value for money;

• the financial and other management controls applied by the FCO to the WFD are appropriate and sufficient to safeguard public funds and for ensuring that the WFD’s compliance with those controls is effectively monitored (“public funds” include not only any funds granted to the WFD by Parliament but also any other funds generated by approved activities or falling within the stewardship of the WFD).

5.3 The FCO’s AO is also responsible for ensuring arrangements are in place in order to:

• monitor the WFD’s activities on a continuous basis;

• address any significant problems should they arise in the WFD, making such interventions as are judged necessary;

• periodically carry out an assessment of the risks both to the sponsor department’s and WFD’s objectives and activities;

• inform the WFD of relevant government policy in a timely manner; and
• bring concerns about the activities of the WFD to the full (WFD) Board, requiring explanations and assurances that appropriate action has been taken.

5.4 The Human Rights and Democracy Department in the FCO is the primary contact for the WFD. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the WFD. They also support the FCO’s AO on his or her responsibilities toward the WFD.

6 Responsibilities of the Chief Executive as WFD Accounting Officer

General
6.1 The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the WFD. In addition, he or she should ensure that the WFD as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

Responsibilities for accounting to Parliament
6.2 The accountabilities include:

• signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Foreign Secretary;

• signing a Statement of Accounting Officer’s responsibilities, for inclusion in the annual report and accounts;

• signing a Statement on Internal Control regarding the system of internal control, for inclusion in the annual report and accounts;

• ensuring that effective procedures for handling complaints about the WFD are established and made widely known within the WFD;

• acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;

• giving evidence, normally with the AO of the FCO, when summoned before the Public Accounts Committee (PAC) on the WFD’s stewardship of public funds.

Responsibilities to the FCO
6.3 Particular responsibilities to the FCO include:

• establishing, in consultation with the department, the WFD’s corporate and business plans in the light of the department’s wider strategic aims;
• informing the department of progress in helping to achieve the department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and

• ensuring that timely forecasts and monitoring information on performance and finance are provided to the department; that the department is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the department in a timely fashion.

Responsibilities to the Board

6.4 The Chief Executive is responsible for:

• advising the WFD Board on the discharge of the Board's responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;

• advising the Board on the WFD's performance compared with its aims and objectives;

• ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;

• taking action as set out in paragraph 3.8.6 of Managing Public Money if the Board, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, demonstrates questionable feasibility, or is unethical.

7 The WFD Board

Board appointments - the Chairman and Board members

7.1 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board must set up an Audit Committee chaired by an independent non-executive member to provide independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

7.2 The WFD Chairman and Board members are appointed for a period of three years by the Foreign Secretary.

Board appointments – the Chief Executive

7.3 The Chief Executive is appointed by the Foreign Secretary in consultation with the Chairman.

Composition of the Board

7.4 The Board shall consist of ten members, of whom six are nominated by the Westminster political parties and four are independent. The four independent governors are selected
through an open competition in line with the Code of Practice issued by the Commissioner for Public Appointments.

7.5 The Board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the WFD consistent with its overall strategic direction and within the policy and resources framework determined by the Foreign Secretary;

- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of the WFD or on the attainability of its targets, and determining the steps needed to deal with such changes;

- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department;

- ensuring that the Board receives and reviews regular financial information concerning the management of the WFD; is informed in a timely manner about any concerns about the activities of the WFD; and provides positive assurance to the department that appropriate action has been taken on such concerns;

- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks;

- appoint, with the Foreign Secretary’s approval, a Chief Executive and, in consultation with the department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilization of public resources.

*The Chairman’s personal responsibilities*

7.6 The Chairman is responsible to the Foreign Secretary. Communications between the WFD Board and the Foreign Secretary should normally be through the Chairman. He or she is responsible for ensuring that policies and actions support the Foreign Secretary’s wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the WFD.

7.7 In addition, the Chairman has the following leadership responsibilities:

- formulating the Board’s strategy;

- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the department;
• promoting the efficient and effective use of staff and other resources;

• delivering high standards of regularity and propriety; and

• representing the views of the Board to the general public.

7.8 The Chairman also has an obligation to ensure that:

• the work of the Board and its members is reviewed and is working effectively;

• the Board has a balance of skills appropriate to directing the WFD business, as set out in the Government Code of Good Practice on Corporate Governance;

• Board members are fully briefed on terms of appointment, duties, rights and responsibilities;

• he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;

• the responsible minister is advised of WFD needs when Board vacancies arise;

• he or she assesses the performance of individual Board members when being considered for re-appointment;

• there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

*Individual Board members’ responsibilities*

7.9 Individual Board members should:

• comply at all times with the Board Members’ Code of Practice and with the rules relating to the use of public funds and to conflicts of interest;

• not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;

• comply with the Board’s rules on the acceptance of gifts and hospitality, and of business appointments;

• act in good faith and in the best interests of the WFD.

*8 Annual report and accounts*

8.1 The WFD must publish an annual report of its activities together with its audited accounts after the end of each financial year. The WFD shall provide the department its finalised (audited) accounts by 30 June each year, along with such other financial
information as may be required for the purposes of FCO reporting.

8.2 The annual report must:

• cover any corporate, subsidiary or joint ventures under its control;

• subject to the Companies Act 2006, comply with the Treasury's Financial Reporting Manual (FreM);

• outline main activities and performance during the previous financial year and set out in summary form forward plans.

8.3 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the WFD website, in accordance with the guidance in the FReM. A draft of the report should be submitted to the department before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the Companies Act 2006 and the FReM.

9 Internal audit
9.1 WFD shall:

• establish and maintain arrangements for internal audit in accordance with the Treasury’s Public Sector Internal Audit Standards (PSIAS);

• ensure the sponsor department is satisfied with the competence and qualifications of the WFD’s Internal Audit services provider and the requirements for approving appointments in accordance with Public Sector Internal Audit Standards (PSIAS).

• set up an audit committee of its Board in accordance with the Cabinet Office’s Code of Conduct for Board Members of Public Bodies and the Audit Committee Handbook;

• forward the audit strategy, periodic audit plans and annual audit report, including the Internal Audit service provider’s opinion on risk management, control and governance as soon as possible to the sponsor department; and

• keep records of, and prepare and forward to the department an annual report on fraud and theft suffered by the WFD and notify the sponsor department of any unusual or major incidents as soon as possible.

9.2 The sponsor department’s internal audit service has a right of access to all documents prepared by the WFD internal auditor, including where the service is contracted out.

10 External audit
10.1 The Comptroller & Auditor General (C&AG) audits the WFD annual accounts and lays them before Parliament, together with his report. In the event that the WFD has set up and controls subsidiary companies, the WFD will ensure that the C&AG is appointed auditor of
those company subsidiaries that it controls and/or accounts are consolidated within its own accounts.

10.2 The C&AG:
• will consult the department and the WFD on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;

• has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the WFD;

• will share with the sponsor department information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the FCO's responsibilities in relation to financial systems within the WFD;

• will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the WFD has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the WFD shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

Right of access
10.4 The department has the right of access to all WFD records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

11 Corporate and business plans
11.1 The WFD shall submit to the sponsor department a draft of the corporate plan covering three or four years ahead. The WFD shall agree with the department the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect the WFD's statutory duties and, within those duties, the priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions).

11.2 In line with the corporate plan, WFD shall submit to the sponsor department an annual business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the department. Subject to any commercial considerations, the corporate and business plans should be published by
the WFD on its website and separately be made available to staff.

11.3 The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- annual evaluation report of performance in the preceding financial year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between the FCO and the WFD.

12 Budgeting procedures
12.1 Each year, in the light of decisions by the department on the updated draft corporate plan, the department will send to the WFD:

- 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; and
- a statement of any planned change in policies affecting the WFD.

13 Reporting performance to the department
13.1 The WFD shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The WFD shall inform the sponsor department of any changes that make achievement of objectives more or less difficult.

WFD/Department working level liaison arrangements
13.2 Officials in the FCO will liaise regularly with WFD officials to review WFD’s financial performance against plans, achievement against WFD targets and the WFD expenditure against its Delegated Expenditure Limit and Annually Managed Expenditure allocations. The team will also take the opportunity to explain wider policy developments that might have an impact on the WFD.

14 Delegated authorities
14.1 The WFD’s delegated authorities are set out in the appendix, “Compliance with government-wide guidance and instructions”. The FCO shall ensure that the WFD is aware of the general guidance documents, and the WFD shall comply with the guidance set out in them. The WFD shall obtain the FCO’s prior written approval before:
• entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the WFD’s annual budget as approved by the department;

• incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;

• 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 that might prove repercussive or which might significantly affect the future level of resources required; or

• carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

15 WFD staff

Broad responsibilities for WFD staff

15.1 Within the arrangements approved by the Foreign Secretary, the WFD will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

• the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion or belief, disability, community background or age;

• the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;

• the performance of its staff at all levels is satisfactorily appraised and the WFD performance measurement systems are reviewed from time to time;
• its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the WFD objectives;

• proper consultation with staff takes place on key issues affecting them;

• adequate grievance and disciplinary procedures are in place;

• whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place;

• a code of conduct for staff is in place based on the Cabinet Office’s Model Code for Staff of Executive Non-departmental Public Bodies.
16 The role of the Department for International Development (DFID)
16.1 The Department for International Development has an interest in WFD’s democracy support work, which is consistent with DFID’s commitment to support poverty reduction and the role that democratic, accountable and responsive political institutions can play in this process. The department is supportive of WFD pursuing these goals through results oriented, context driven and long-term programming.

17 Review
17.1 The WFD will be reviewed every three years, and the Management Statement and Financial Memorandum will be included in the remit of this review. The next review will be in FY2013-14.
PART B: FINANCIAL MEMORANDUM

I. INTRODUCTION

1. This financial memorandum, which forms part of the Management Statement for the Westminster Foundation for Democracy (hereafter WFD), sets out in greater detail certain aspects of the financial framework within which the WFD is required to operate.

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

3. The WFD shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Foreign Secretary may impose.

II. THE WFD’s INCOME AND EXPENDITURE – GENERAL

The Departmental Expenditure Limit (DEL)

4. The WFD’s current and capital expenditure form part of the sponsoring department’s Resource DEL and Capital DEL respectively.

Expenditure not proposed in the budget

5. The WFD shall not, without prior written FCO approval and that of the WFD Board of Governors, enter into any undertaking to incur any expenditure which falls outside the WFD’s delegations or which is not provided for in the WFD’s annual budget as approved by the FCO and the WFD Board of Governors.

Procurement

6. The WFD’s procurement policies shall reflect guidance from the Cabinet Office’s Efficiency and Reform Group and any successor body with responsibility for public procurement law and policy. The WFD shall also ensure that it complies with any relevant EU or other international procurement rules.

Competition

7. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

8. Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority, and the WFD shall send to the FCO after each financial year a report for that year explaining any contracts above £10,000 in which competitive tendering was not employed.

Value for money

9. Procurement by the WFD of works, equipment, goods and services shall be based on value for money, 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**
10. The WFD shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days. The WFD 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.

**Novel, contentious or repercussive proposals**
11. The WFD shall obtain the consent of the Board of Governors and the approval of the FCO 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 FCO;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

**Risk management**
12. The WFD 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, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: Principles and Concepts and Managing Public Money 4.3.*

13. The WFD shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with *Managing Public Money Annex 4.7.*

14. The WFD 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 or grant-in-aid.

**Wider markets**
15. The WFD shall seek, as far as possible, to maximise receipts from sources other than the Exchequer, where this does not interfere with, and is consistent with, its main functions and is in line with its Corporate Plan as agreed with the FCO and Government policy on wider markets. Such sources may include UK or international bodies in the governmental, non-governmental or private sectors and include contributions for programme funding from e.g. DFID, the UNDP, EU, etc.
Fees and charges
16. Fees or charges for any services supplied by the WFD shall be determined in accordance with Managing Public Money, and with the Freedom of Information Act 2000.

III. THE WFD’s INCOME

Grant-in-aid
17. Grant-in-aid will normally be paid to the WFD in instalments, on the basis of a written application from the WFD showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the WFD’s functions.

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

Receipts from sale of goods or services
19. Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in national accounts and are therefore normally offset against the DEL (i.e., they provide additional DEL spending power).

20. If there is any doubt about the correct classification of a receipt the WFD shall consult the FCO, who will consult the Treasury as necessary.

Other receipts
21. Any interest earned by the WFD on its assets shall be given the same budgeting treatment as the cost of capital charge on the assets. The WFD is allowed to seek programme funding from other UK governmental or international bodies.

22. Under current budgeting rules, the cost of capital charge and any interest receipts on most DEL financed assets score as resource DEL.

23. If the receipts are used to finance additional expenditure by the WFD, the FCO will need to ensure it has the necessary DEL cover. 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. The FCO shall consult the Treasury about the budgeting treatment of such receipts.

Unforecast changes in in-year income
24. If the negative DEL income realised or expected to be realised in-year is less than estimated, the WFD shall, unless otherwise agreed with the FCO, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded.
25. If the negative DEL income realised or expected to be realised in the year is more than estimated, the Board may apply to the FCO to retain the excess income for specified additional expenditure within the current financial year. The FCO shall consult the Treasury about the budgeting treatment of such income.

**Build-up and draw-down of deposits**
26. The WFD shall comply with the rules that any DEL expenditure financed by the drawdown of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).

27. The WFD shall ensure that it has the necessary DEL provision for any expenditure financed by drawdown of deposits.

**Proceeds from disposal of assets**
28. Disposals of land and buildings are dealt with in Section VI below.

**Gifts and bequests received**
29. The WFD is free to retain any gifts, bequests or similar donations. These shall be treated as receipts (see para. 19 above) [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.]

30. Before proceeding in this way the WFD shall consider if there are any associated costs in doing so or any conflicts of interests arising. The WFD shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

**Reserves**
31. No grant or grant-in-aid shall be paid into any reserve held by the WFD. Funds in any reserve may be a factor for consideration when grant-in-aid is determined.

**IV. EXPENDITURE ON STAFF**

**Staff costs**
32. Subject to its delegated levels of authority the WFD 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**
33. The staff of the WFD, 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 FCO and the Treasury. The WFD has no delegated power to amend these terms and conditions. These provisions do not apply to office staff supplied e.g. through an agency to temporarily fill vacant permanent posts.

34. Current terms and conditions for staff of the WFD are those set out in its HR Policies and Framework documents. The WFD shall provide the FCO with a copy of the Framework
documents and subsequent amendments.

35. The travel expenses of Board Members shall be tied to the rates allowed to staff of the WFD. Reasonable actual costs shall be reimbursed.

36. The WFD shall comply with the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

Pensions; redundancy/compensation
37. The WFD’s staff is eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCPS).

38. Any proposal by the WFD to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the department. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

V. NON-STAFF EXPENDITURE

Capital expenditure
39. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

40. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the WFD’s corporate planning process. Applications for approval by the FCO 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 FCO.

41. Within its approved overall resources limit the WFD shall have delegated authority to spend up to £20,000 on any individual capital project or acquisition. Beyond that delegated limit, the FCO’s prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets
42. Unless financial provision is subject to specific FCO or Treasury controls (e.g., 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 FCO approval.

Lending, guarantees, indemnities; contingent liabilities; letters of comfort
43. The WFD shall not, without the FCO’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 *Managing Public Money*), whether or not in a legally binding form.

**Grant or loan schemes**
44. Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one off or under a scheme, shall be subject to prior approval by the FCO, together with the terms and conditions under which such grant or loan is made. If grants or loans are to be made under a continuing scheme statutory authority is likely to be required.

45. 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 the WFD, the FCO and the C&AG.

46. See also below under the heading *Recovery of grant-financed assets*.

**Gifts made, write-offs, losses and other special payments**
47. Proposals for making gifts or other special payments (including write-offs) must have the prior approval of the FCO and the Board of Governors.

**Leasing**
48. Prior FCO approval must be secured for all property and finance leases. The WFD must have capital DEL provision for finance leases and other transactions, which are in substance borrowing.

49. Before entering into any lease (including an operating lease) the WFD shall demonstrate that the lease offers better value for money than purchase.

**Subsidiary companies and joint ventures**
50. The WFD shall not establish subsidiary companies or joint ventures without the express approval of the FCO. In judging such proposals the FCO will have regard to the FCO’s wider strategic objectives.

51. Any subsidiary company or joint venture controlled or owned by the WFD shall be consolidated with it in accordance with the FReM. Unless specifically agreed with the FCO 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.

**Financial investments**
52. The WFD shall not make any investments in traded financial instruments without the prior written approval of the FCO, 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 the WFD shall equally be subject to FCO approval unless covered by a specific delegation.
Unconventional financing
53. Unless otherwise agreed with the FCO, the WFD shall not enter into any unconventional financing arrangement.

Commercial insurance
54. The WFD shall not take out any insurance without the prior approval of the FCO; other than insurance which is a statutory obligation or which is permitted in box A.4.5.8 of Managing Public Money, namely:

- items the WFD is required to insure, e.g. vehicles where the Road Traffic Acts require it.
- goods where a cost benefit analysis supports the case for insurance and the sponsor department agrees.
- goods owned by the WFD receiving less than 50% of their income from the Exchequer (through grant-in-aid or fees and charges). Commercial insurance protects the risk to the Exchequer from claims from third parties.
- items used by the WFD for income generation schemes to supplement the approved level of public spending. Commercial insurance is appropriate to cover the risks if costs or losses could not be met out of receipts.

55. Should circumstances arise in which the WFD becomes aware of a potential major loss or third-party claim, the FCO should be notified immediately. The WFD should set out the background factors, the best estimate of the potential financial liability, and advice on whether the WFD is likely to be liable for the loss or claim. Based on these facts, the FCO shall agree with the WFD whether an addition to the WFD budget shall be considered, or whether the liability should be met from WFD reserves.

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets
56. The WFD shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets
57. The WFD shall dispose of assets that 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 FCO.

58. The WFD may normally retain receipts derived from the sale of assets provided that:
(i) the FCO and the Treasury are content for the WFD to retain these receipts;
(ii) they are used to finance other capital spending;
(iii) the FCO receives prior notification of individual sales; and
(iv) total sales in any financial year do not exceed 3% of the WFD's grant-in-aid
59. If, notwithstanding the above, the WFD 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 FCO, which shall then submit an Estimate seeking approval for the receipts to be appropriated in aid by the FCO and for a corresponding increase in the WFD’s grant-in-aid. If the proposed new investment exceeds the WFD’s relevant delegated authority the FCO’s approval will be needed. If the proposed new investment is novel or contentious the Treasury’s approval will be also needed.

60. If the criteria in para. 58 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts.

Recovery of grant-financed assets
61. Where the WFD has financed expenditure on capital assets by a third party, the WFD shall make appropriate arrangements to ensure that any such assets above a value of £30,000 are not disposed of by the third party without the WFD’s prior consent.

62. The WFD shall therefore ensure that such 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 FCO.

63. The WFD shall ensure that if the assets created by grants made by the WFD 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 WFD for surrender to the FCO. The amounts recoverable under the procedures in paragraphs 57-60 above shall be calculated by reference to the best possible value of the asset and in proportion to the Exchequer’s original investments in the asset.

VII. BUDGETING PROCEDURES
Setting the annual budget
64. Each year, in the light of decisions by the FCO on the WFD’s annual Business Plan, the FCO will send to the WFD:

- a formal statement of the annual budgetary provision allocated by the FCO in the light of competing priorities across the FCO and of any forecast income approved by the FCO;

- a statement of any planned change in policies affecting the WFD.

65. The WFD’s approved annual business plan will take account both of its approved funding provision and of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any FCO funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (Section 11 of the Management Statement).
66. Any grant-in-aid provided by the FCO for the year in question will be voted in the FCO’s Estimate and will be subject to Parliamentary control.

**General conditions for authority to spend**

67. Once the WFD’s budget has been approved by the FCO and subject to any restrictions imposed by this document and the Management Statement, the WFD shall have authority to incur expenditure approved in the budget without further reference to the FCO, on the following conditions:

- the WFD shall comply with the conditions set out in paragraph 11 above regarding novel, contentious or repercussive proposals;

- inclusion of any planned and approved expenditure in the WFD’s budget shall not remove the need to seek formal FCO approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;

- the WFD shall provide the FCO with such information about its operations, performance, individual projects or other expenditure as the FCO may reasonably require (paragraph 71 below).

**Providing monitoring information to the FCO**

68. The WFD shall provide the FCO with information on a regular basis which will enable the satisfactory monitoring by the FCO of:

- the WFD’s cash management;

- its draw-down of any grant-in-aid;

- other data required for the Combined On-Line Information System (COINS).

**VIII. BANKING**

**Banking arrangements**

69. The WFD’s Accounting Officer is responsible for ensuring that the WFD’s banking arrangements are in accordance with the requirements of *Managing Public Money*. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

70. 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 FCO’s Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 6 of the Management Statement);
- the WFD's banking arrangements shall be kept separate and distinct from those of any other person, NDPB or organisation;

- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

**IX. ARRANGEMENTS IN THE EVENT THAT THE WFD IS WOUND UP**

71. The FCO shall put in place arrangements to ensure the orderly winding up of the WFD. In particular it should ensure that the assets and liabilities of the WFD are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the FCO.) To this end, the department shall:

- ensure that procedures are in place in the WFD to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;

- specify the basis for the valuation and accounting treatment of the WFD's assets and liabilities;

- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts;

- arrange for the most appropriate person to sign the closing accounts. In the event that another NDPB takes on the role, responsibilities, assets and liabilities, the succeeding NDPB AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the FCO's AO should sign.

72. The WFD shall provide the department with full details of all agreements where the WFD or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to the WFD.

Signed...........  
Date........... 29 October 2012  
(On behalf of the FCO)  

Signed...........  
Date...........  
(On behalf of the WFD)
APPENDIX: Compliance with government-wide guidance and instructions, as at July 2013

The WFD shall comply with the following general guidance documents and instructions:

- this document;

- Current sections (or future sections which may subsequently be approved) of Corporate Governance in Central Government Departments: Code of Good Practice

- Managing Public Money (MPM):  

- Public Sector Internal Audit Standards,  

- Management of Risk: Principles and Concepts:  

- Managing the Risk of Fraud,  

- Government Financial Reporting Manual (FReM),  

- Fees and Charges Guide, Chapter 6 of MPM;

- Departmental Banking: A Manual for Government Departments, annex 5.7 of MPM;

- relevant Dear Accounting Officer letters;

- The Parliamentary Ombudsman’s Principles of Good Administration  
  http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration;

- Consolidation Officer Memorandum, and relevant DCO letters;

- Code of Practice of the Office of the Commissioner on Public Appointments  
  http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/

- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);

- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office)  
• 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 FCO;

• recommendations made by the Public Accounts Committee, or by other
  Parliamentary authority, that have been accepted by the Government and relevant
  to the WFD.