

MANAGEMENT STATEMENT FOR THE AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD (AHDB)

<u>1. INTRODUCTION</u>	2
1.1 This document	2
1.2 Founding legislation; status	3
1.3 The functions, duties and powers of AHDB	3
1.4 Classification	3
<u>2. AIMS, OBJECTIVES AND TARGETS</u>	4
2.1 Overall aims	4
2.2 Objectives and key targets	4
<u>3. RESPONSIBILITIES AND ACCOUNTABILITY</u>	4
3.1 The Secretary of State	4
3.2 The Accounting Officer of the sponsor Department	5
3.3 The sponsoring team in Defra	5
3.4 The Chairman of AHDB	6
3.5 AHDB's Board	7
3.6 The Chief Executive's role as Accounting Officer	9
3.7 The Chief Executive's role as Consolidation Officer	10
3.8 Delegation of duties	11
3.9 The Chief Executive's role as Principal Officer for Ombudsman Cases	11
<u>4. PLANNING, BUDGETING AND CONTROL</u>	11
4.1 The corporate plan	11
4.2 The business plan	12
4.3 Publication of plans	12
4.4 Reporting performance to Defra	12
4.5 Budgeting procedures	13
4.6 Internal audit	13
4.7 Additional Departmental access to AHDB	14
<u>5. EXTERNAL ACCOUNTABILITY</u>	14
5.1 The annual report and accounts	14
5.2 External audit.	14
5.3 VFM examinations	15
<u>6. STAFF MANAGEMENT</u>	15
6.1 General	15
<u>7. REVIEWING THE ROLE OF AHDB</u>	

ATTACHMENTS:

Financial memorandum

1. INTRODUCTION

1.1 This document

1.1.1 This management statement and its associated financial memorandum have been drawn up by the Department for Environment, Food & Rural Affairs (Defra) in consultation with the Agriculture and Horticulture Development Board (AHDB) at Nobel House, Smith Square London. Defra is the lead sponsoring Department acting with the agreement of the other sponsors – the Welsh Assembly Government Agriculture and Rural Affairs Department (WAGARAD), the Scottish Executive Environment and Rural Affairs Department (SEERAD), and the Northern Ireland Department of Agriculture and Rural Development (DARD).

1.1.2 Subject to the legislation noted below, the management statement sets out the broad framework within which AHDB will operate, in particular:

- AHDB's overall aims, objectives and targets which operate in the context of the sponsor Department's wider strategic aims and current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of AHDB's functions, duties and powers;
- the conditions under which any public funds are paid to AHDB;
- how AHDB is to be held to account for its performance.

However, the management statement and financial memorandum do not convey any legal powers or responsibilities.

1.1.3 The associated financial memorandum sets out in greater detail certain aspects of the financial provisions which AHDB shall observe.

1.1.4 The document shall be periodically reviewed by Defra and AHDB in accordance with the timetable referred to in Section 7 below.

1.1.5 AHDB, or the Defra and the devolved authorities may propose amendments to this document at any time. Any such proposals by AHDB shall be considered in the light of evolving departmental policy aims, operational factors and the track record of AHDB itself. The guiding principle shall be that the extent of flexibility and freedom given to AHDB shall reflect both the quality of its internal controls and its operational needs. Defra shall in consultation with AHDB determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the Treasury or Cabinet Office as appropriate. (The definition of "significant" will be determined by the sponsor department in consultation with the Treasury/Cabinet Office.). Any such proposals by

Defra and the devolved authorities shall be considered against the applicability to AHDB's duties and functions.

- 1.1.6 The combined document is signed and dated by Defra and AHDB.
- 1.1.7 Any question regarding the interpretation of the document shall be resolved by Defra after consultation with AHDB and, as necessary, with the Treasury and/or the Cabinet Office.
- 1.1.8 Copies of this document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies shall also be made available to members of the public on the AHDB website.

1.2 Founding legislation; status

- 1.2.1 AHDB is established by the Agriculture and Horticulture Development Board Order 2008 ("the Order"), made under s. 87 of Natural Environment and Rural Communities Act 2006. The constitution of AHDB is set out in Schedule 2 of the Order. AHDB is specified as a cross-border public authority by the Scotland Act 1998 (Cross-Border Public Authorities) (Specification) Order 1999 (S.I. 1999/1319) made under section 88 of the Scotland Act. It does not carry out functions on behalf of the Crown.

1.3 The functions, duties and powers of AHDB

- 1.3.1 These are set out in the Agriculture and Horticulture Development Board Order 2008.

1.4 Classification

- 1.4.1 For policy/administrative purposes AHDB is classified as an executive non-departmental public body.
- 1.4.2 For national accounts purposes AHDB is classified to the central government sector
- 1.4.3 References to AHDB include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and AHDB (paragraphs 53-54 of the financial memorandum).

2. AIM[S], OBJECTIVES AND TARGETS

2.1 Overall aims

2.1.1. The Secretary of State has defined the overall aims for AHDB (as set out in the Agriculture and Horticulture Development Board Order 2008) as follows:

- Increasing efficiency or productivity in an agricultural/horticultural or related industry;
- Improving marketing in an agricultural/horticultural or related industry;
- Improving or developing services that an agricultural/horticultural or related industry provides or could provide to the community;
- Improving the ways in which an agricultural/horticultural or related industry contributes to sustainable development.

AHDB may assign functions to its subsidiary companies.

2.2 Objectives and key targets

2.2.1 Defra approve AHDB's performance framework in the light of Defra's wider strategic aims and current PSA (paragraph 1.1.2). AHDB's objectives and key targets shall be agreed within AHDB's corporate and business planning process (Section 4 below).

2.2.2 Guidance on these matters is available on the Treasury's public website.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Secretary of State

3.1.1 The Secretary of State is accountable to Parliament for the activities and performance of AHDB. His/Her responsibilities include:

- approving AHDB's strategic objectives and the policy and performance framework within which AHDB will operate (as set out in this management statement and financial memorandum and associated documents);
- keeping Parliament informed about AHDB's performance;

- approving annual levy rates recommended by AHDB, and securing Parliamentary approval of the proposed levy rate ceiling;
- carrying out responsibilities specified in the Agriculture and Horticulture Development Board Order 2008 including appointments to the Board, approving the terms and conditions of Board members, approval of the chief executive, and laying of the annual report and accounts before Parliament and before the Devolved Assemblies.

3.2 The Accounting Officer of the sponsor Department

3.2.1 The Permanent Secretary, as Defra's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the sponsor Department and for ensuring that there is a high standard of financial management in Defra as a whole. The principal Accounting Officer designates the Chief Executive of AHDB as AHDB's Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular the principal Accounting Officer of Defra shall ensure that:

- AHDB's strategic aims and objectives are consistent with Defra's wider strategic aims and current PSA;
- the financial and other management controls applied by Defra to AHDB are appropriate and sufficient to safeguard public funds and for ensuring that AHDB's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to AHDB by Parliament but also levy raised under the Agriculture and Horticulture Development Board Order 2008, and any other funds generated by approved activities or falling within the stewardship of AHDB);
- the internal controls applied by AHDB conform to the requirements of regularity, propriety and good financial management;
- a levy scheme that imposes charges to meet the expenses of AHDB is approved by Parliament and managed in accordance with the Agriculture and Horticulture Development Board Order 2008

3.2.3 The respective responsibilities of 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 NDPB Accounting Officer on appointment.

3.3 The sponsoring team in Defra

3.3.1 Within Defra, Food Chain Development Team is the sponsoring team for AHDB. The Team, in consultation as necessary with the relevant departmental Accounting Officer, is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of AHDB, and the primary point of contact for AHDB in dealing with Defra. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of AHDB.

3.3.2 The sponsoring team shall advise the Secretary of State on:

- an appropriate framework of objectives and targets which have been developed and agreed with AHDB in the light of Defra's wider strategic aim[s] and current PSA;
- how well AHDB is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of Defra's Accounting Officer the sponsoring team shall:

on performance and risk management –

- monitor AHDB's activities on a continuing basis through an adequate and timely flow of information from AHDB on performance, budgeting, control and risk management, including early sight of AHDB's Statement on Internal Control;
- address in a timely manner any significant problems arising in AHDB, whether financial or otherwise, making such interventions in the affairs of AHDB as Defra judges necessary;
- periodically carry out a risk assessment of AHDB's activities, including those of its subsidiaries, to inform Defra's oversight of AHDB; strengthen these arrangements if necessary; and amend the management statement in consultation with AHDB. The risk assessment shall take into account the nature of AHDB's activities; the public monies at stake; the body's corporate governance arrangements; its financial performance; internal and external auditors' reports, the openness of communications between the body and Defra; and any other relevant matters;

on communication with AHDB –

- inform AHDB of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to AHDB as necessary;

- bring concerns about the activities of the AHDB to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Chair of AHDB

3.4.1 The Chair is appointed by Agriculture Ministers for a term of three years in line with the Code of Practice issued by the Commissioner for Public Appointments. Re-appointments or extensions to appointments shall be in accordance with OCPA rules.

3.4.2 The Chair is responsible to the Secretary of State. The Chair shall aim to ensure that AHDB's policies and actions support the wider strategic policies of the Secretary of State when appropriate; and that AHDB's affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that AHDB fulfils the aims and objectives approved by the Secretary of State.

3.4.3 The Chair has a particular leadership responsibility on the following matters:

- formulating the Board's strategy for discharging its statutory duties;
- agreeing the subsidiary bodies plans
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or department;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety;
- representing the views of the Board to the general public.

3.4.4 The Chair shall also:

- ensure that the work of the board and its members are reviewed and are working effectively;
- ensure that the board has a balance of skills appropriate to directing AHDB business, as set out in the Government Code of Good Practice on Corporate Governance;
- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and

reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;

- advise the Secretary of State of the needs of AHDB when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual Board members on an annual basis, starting a year from the date of their appointment, and on request, or when they are being considered for re-appointment to the Board.

3.4.5 The Chair shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's model Code of Practice for Board Members of Public Bodies. The Code shall commit the Chair and other Board Members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

3.4.6 Communications between the Board and the Secretary of State shall normally be through the Chair. The Chair shall ensure that the other Board members are kept informed of such communications.

3.5 AHDB's Board

3.5.1 The Board Members are appointed by Agriculture Ministers for a term of three years in line with the Code of Practice issued by the Commissioner for Public Appointments. Re-appointments or extensions to appointments shall be in accordance with OCPA rules.

3.5.2 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.

3.5.3 The board has corporate responsibility for ensuring that AHDB fulfils its statutory responsibilities, meets the aims and objectives approved by the Secretary of State and for promoting the efficient and effective use of staff and other resources by AHDB. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- with its Sector companies, establish the overall strategic direction of AHDB within the policy framework determined by the Secretary of State;
- ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of

AHDB or on the attainability of its targets, and determine the steps needed to deal with such changes;

- ensure 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 Defra, 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 Defra;
- ensure that the Board receives and reviews regular financial information concerning the management of AHDB; is informed in a timely manner about any concerns about the activities of AHDB; and provides positive assurance to Defra that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by using the independent audit committee (paragraph 4.6.2) to help the Board to address the key financial and other risks facing AHDB;
- appoint with the Secretary of State's approval a Chief Executive to AHDB and, having taken advice from the remuneration committee, and in consultation with Defra, set performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public monies.

3.5.4 Individual Board members shall act in accordance with their wider responsibility as Members of the Board – namely to:

- comply at all times with the Code of Practice paragraph 3.4.5 above that is adopted by AHDB 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 AHDB.

3.6 The Chief Executive's role as Accounting Officer

3.6.1 The Chief Executive of AHDB is designated as AHDB's Accounting Officer by Defra's Accounting Officer.

3.6.2 The Accounting Officer of AHDB is personally responsible for safeguarding the public funds for which he/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 AHDB. In addition, he or she should ensure that AHDB 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 to Managing Public Money.

3.6.3 As Accounting Officer the Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring –

- establish, in agreement with Defra, AHDB's corporate and business plans in the light of Defra's wider strategic aims and current PSA;
- meet the timetable for the returns to the Department and the standard for the corporate plan as agreed with Defra;
- inform Defra of AHDB's progress in helping to achieve Defra's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to Defra; that Defra is notified promptly if overspends or underspends 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 Defra in a timely fashion;

on advising the Board –

- advise the Board on the discharge of its responsibilities as set out in this document, in the Agriculture and Horticulture Development Board Order 2008 and in any other relevant instructions and guidance that may be issued from time to time;
- advise the Board on AHDB's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;
- take action as set out in paragraphs 3.7.5 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 or efficiency or effectiveness;

on managing risk and resources –

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that all public funds made available to AHDB including any approved income or other receipts are used for the purpose intended by Parliament, and that such moneys, together with AHDB's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by AHDB, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

on accounting for AHDB's activities –

- sign the accounts and be responsible for 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 Secretary of State;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding AHDB's system of internal control, with reference to the arrangements for subsidiary companies, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about AHDB are established and made widely known within AHDB;
- 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

- give evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by AHDB.
- when requested to do so by Defra or any of the devolved administrations, providing information to enable those administrations as necessary to answer Parliamentary Questions or Ministers' Correspondence or to deal with other Parliamentary business relating to AHDB.

On state aids and procurement

- ensure state aid rules are met. Activities in the agriculture and horticulture sectors funded by parafiscal levy are State aids to the agriculture/horticulture sector. Any changes to current activities or the introduction of new activities must normally be notified to the European Commission and may require prior approval by the European Commission. Any proposed changes or new State aid activities should be discussed with Defra at an early stage and must not be implemented without agreement from Defra. State aid rules also require any individual advertising campaigns to be notified to and approved by the European Commission. Defra in discussion with AHDB will process any future State aid notifications. In the event of disagreement about the interpretation of State aid rules the decision of Defra, following discussion with the European Commission as appropriate, will be final. AHDB will submit an annual return on current state aid schemes along with assurances to Defra that the conditions and assurances agreed with the European Commission have been and continue to be met.

3.7 The Chief Executive's role as Consolidation Officer

3.7.1 For the purposes of Whole of Government Accounts the Chief Executive of AHDB is normally appointed by the Treasury as AHDB's Consolidation Officer.

3.7.2 As AHDB's Consolidation Officer the Chief Executive shall be personally responsible for preparing the consolidation information that sets out the financial results and position of AHDB, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.

3.7.3 As Consolidation Officer the Chief Executive shall comply with the requirements of the Consolidation Officer Memorandum and shall, in particular:

- ensure that AHDB has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;
- prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions “Dear Consolidation Officer” (DCO) and “Dear Consolidation Manager” (DCM) letters issued by the Treasury on the form, manner and timetable for the delivery of such information.

3.8 Delegation of duties

3.8.1 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in AHDB. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.9 The Chief Executive’s role as Principal Officer for Ombudsman cases

3.9.1 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she shall inform the Permanent Secretary of the sponsor Department of any complaints about AHDB accepted by the Ombudsman for investigation, and about AHDB’s proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

4.1.1 AHDB shall submit annually to Defra a draft of AHDB’s updated corporate plan covering three years ahead. AHDB shall have agreed with Defra the issues to be addressed in the plan and the timetable for its preparation.

4.1.2 The plan shall reflect AHDB’s statutory duties and, within those duties, the priorities set from time to time by the Secretary of State. In particular, the plan shall demonstrate how AHDB contributes to the achievement of Defra’s PSA targets.

4.1.3 The corporate plan shall set out:

- AHDB and its Sector Companies objectives and associated key performance targets for the three forward years, its strategy for achieving those objectives, and an assessment of the financial and other resources required;

- key non-financial performance targets
- a review of AHDB's performance in the preceding financial year, and an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between Defra and AHDB.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between Defra and AHDB in the light of Defra's decisions on policy taken in the context of the Government's wider decisions when appropriate.

4.2 The business plan

4.2.1 The first year of the corporate plan, amplified as necessary, shall form the 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 Defra.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the corporate and business plans shall be published, and made available on the AHDB website.

4.4 Reporting performance to Defra

4.4.1 AHDB shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed corporate and business plans.

4.4.2 AHDB shall take the initiative in informing Defra of changes that make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

4.4.3 AHDB shall report to Defra financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives on a regular basis. Performance will be formally reviewed by officials of Defra. The Secretary of State, or a representative, shall meet the Board formally to discuss AHDB's performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 AHDB's performance against key targets shall be reported in AHDB's annual report and accounts [see Section 5.1 below].

4.5 Budgeting procedures

4.5.1 AHDB's budgeting procedures are set out in the financial memorandum.

4.6 Internal audit

4.6.1 AHDB shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS) (http://www.hm-treasury.gov.uk/...gia_guidance.cfm). AHDB shall consult Defra to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment in accordance with Government Internal Audit Standards (GIAS) 5.2.

4.6.2 AHDB shall set up an independent audit committee as a committee of its Board in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and the Audit Committee handbook.

4.6.3 AHDB shall forward the audit strategy, periodic audit plans and annual audit report, including the AHDB Head of Internal Audit opinion on risk management, control and governance as soon as possible to the sponsor department.

4.6.3 AHDB shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. Defra shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, Defra reserves a right of access to carry out independent reviews of internal audit in AHDB.

4.6.4 Defra's Internal Audit Service shall also have a right of access to all documents prepared by AHDB's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including AHDB's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the Head of Internal Audit as appropriate.

4.6.5 In addition, AHDB shall keep records of, and prepare and forward to Defra an annual report on fraud and theft suffered by AHDB; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or AHDB's Fraud Policy and Fraud Response Plan.

4.7 Additional Departmental access to AHDB

4.7.1 In addition to the right of access referred to in paragraph 4.6.3 above, Defra shall have a right of access to all AHDB's records and personnel.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

- 5.1.1 After the end of each financial year AHDB shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any bodies under the control of AHDB or for which AHDB is accountable. A draft of the report shall be submitted in accordance with the Agriculture and Horticulture Development Board Order 2008.
- 5.1.2 The report and accounts must cover any corporate, subsidiary or joint ventures under its control, and shall comply with the Treasury document Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by Defra.
- 5.1.3 The report and accounts shall outline AHDB's main activities and performance during the previous financial year and set out in summary form AHDB's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.
- 5.1.4 The report and accounts shall be laid before Parliament and the devolved assemblies in accordance with the Agriculture and Horticulture Development Board Order 2008 ("the Order"), and made available on the AHDB website. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the FReM.

5.2 External audit

- 5.2.1 The Comptroller and Auditor General (C&AG) audits AHDB's annual accounts and passes the accounts to Defra who shall lay them before Parliament. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act.
- 5.2.2 AHDB will in the light of the provisions in the Companies Act 2006 ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The AHDB shall discuss with the sponsor department the procedures for appointing the C&AG as auditor of the companies.
- 5.2.3 The C&AG has agreed to consult Defra and AHDB on who - the NAO or a commercial auditor – shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

5.2.4 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 AHDB.

5.2.5 The C&AG has agreed to share with sponsor Departments information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This shall apply, in particular, to issues which impact on Defra's responsibilities in relation to financial systems within AHDB. The C&AG has also agreed, where asked, to 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.

5.3 VFM examinations

5.3.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which AHDB 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, AHDB 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.

6. STAFF MANAGEMENT

6.1 General

6.1.1. Within the arrangements approved by the Secretary of State and the Treasury AHDB shall have responsibility for the recruitment, retention and motivation of its staff. To this end AHDB shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and AHDB's 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 AHDB's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the Cabinet Office document Model Code for Staff of Executive Non-Departmental Public Bodies <http://www.civilservice.gov.uk/modelcode>.

7. REVIEWING THE ROLE OF AHDB

7.1 AHDB shall be reviewed every five years, in accordance with the Cabinet Office guidance on "lighter touch" reviews. The next review of AHDB will take place in the financial year 2013/14.

7.2 Arrangements in the event that the NDPB is wound up are:

7.2.1 The sponsor department shall put in place arrangements to ensure the orderly winding up of AHDB. In particular it should ensure that the assets and liabilities of AHDB 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 sponsor department.) To this end, the department shall:

- ensure that procedures are in place in the NDPB 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 NDPB'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 sponsor department's AO should sign.

7.2.2 The NDPB shall provide the department with full details of all agreements where the NDPB 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 NDPB.

Signed by authority of the Secretary of State of Defra

John Bourn

Dated: 18 March 2008

Signed by authority of the Agriculture and Horticulture Development Board

Kevin Roberts

Dated: 18 March 2008

FINANCIAL MEMORANDUM FOR THE AGRICULTURE AND HORTICULTURE DEVELOPMENT BOARD (AHDB)

<u>I. INTRODUCTION</u>	3
<u>II. AHDB'S INCOME AND EXPENDITURE - GENERAL</u>	3
The Departmental Expenditure Limit (DEL)	3
Expenditure not proposed in the budget	3
Procurement	3
Competition	4
Value for money	4
Timeliness In paying bills	4
Novel, contentious or repercussive proposals	4
Risk management	5
Wider markets	5
Fees and charges	5
<u>III. AHDB'S INCOME</u>	5
Receipts from sale of goods or services	6
Interest earned	6
Unforecast changes in in-year income	6
Proceeds from disposal of assets	7
Gifts and bequests received	7
Borrowing	7
<u>IV. EXPENDITURE ON STAFF</u>	8
Staff costs	8
Pay and conditions of service	8
Pensions; redundancy/compensation	8
<u>V. NON-STAFF EXPENDITURE</u>	9
Capital expenditure	9

Lending, guarantees, indemnities; contingent liabilities; letters of comfort	9
Grant or loan schemes	9
Gifts made, write-offs, losses and other special payments	10
Leasing	10
Public/Private Partnerships	10
Subsidiary companies and joint ventures	10
Financial investments	11
Unconventional financing	11
Commercial insurance	11
<u>VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS</u>	12
Register of assets	12
Disposal of assets	12
Recovery of grant-financed assets	12
<u>VII. BUDGETING PROCEDURES</u>	13
Setting the annual budget	13
General conditions for authority to spend	13
Providing monitoring information to the Department.	14
<u>VIII. BANKING</u>	14
Banking arrangements	14
<u>IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE</u>	15
Relevant documents	15
<u>X. REVIEW OF FINANCIAL MEMORANDUM</u>	16

I. INTRODUCTION

1. This financial memorandum, which forms part of the management statement for AHDB, sets out in greater detail certain aspects of the financial framework within which AHDB 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 Secretary of State in respect of the exercise of any individual functions, powers and duties of AHDB.
3. AHDB shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Secretary of State may from time to time impose. Unless agreed by the department and, as necessary, HM Treasury, AHDB shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to Defra in the first instance. A list of guidance and instructions with which the NDPB should comply is in section IX.

II. AHDB'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4. Defra's resource DEL is set on the basis that all AHDB's expenditure will be financed by levy receipts supplemented by income arising from its commercial activities and those of its subsidiaries.

Expenditure not proposed in the budget

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

Procurement

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

7. Periodically and wherever practicable AHDB's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

Competition

8. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
9. Proposals to let single-tender or restricted contracts shall follow EU procurement rules, and be subject to a specified delegated authority, and AHDB shall send to Defra after each financial year a report for that year explaining any contracts above £1000 for the lifetime of the contract, in which competitive tendering was not employed

Value for money

10. Procurement by AHDB 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

11. AHDB shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Managing Public Money. AHDB 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. (NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.)

Novel, contentious or repercussive proposals

12. AHDB shall obtain the prior approval of Defra 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 Defra;

- 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.
- establishing a subsidiary company.

Risk management

13. AHDB 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: A Strategic Overview.
14. AHDB 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.
15. AHDB 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

16. In accordance with the wider markets policy AHDB shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with (a) AHDB's main functions (b) its corporate plan as agreed with Defra (c) activities not identified within the corporate plan but are approved by Defra as complying with AHDB's main functions.

Fees and charges

17. Fees or charges for any services supplied by AHDB or its subsidiaries shall be determined in accordance with the Government Fees, Charges and Levies Policy, and with the Freedom of Information Act.

III. AHDB's INCOME

18. AHDB shall plan and budget on the basis that it receives levy income in accordance with the Agriculture and Horticulture

Development Board Order 2008, and income from fees and charges for the supply of goods and services.

Levy income can be only be used for the purposes set out in the Agriculture and Horticulture Development Board Order 2008. It cannot be used to resource any other activity.

19. Other income is derived from:
- the provision of services to its subsidiary companies for which service level agreements have been created
 - commercial activities (see paragraph 20).

Receipts from sale of goods or services

20. AHDB's commercial services company, MLCSL, provides advice, logistics, levy audit and inspection services on a commercial basis. It is a subsidiary company of AHDB. Staff costs are fully accounted for within the company and any profits are retained by AHDB for the sector from which the funds derive.
21. 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 AME (ie, they provide additional DEL spending power).
22. If there is any doubt about the correct classification of a receipt AHDB shall consult the Defra, who will consult the Treasury as necessary.

Interest earned

23. Interest on balances not derived from Exchequer funds will be allocated to AHDB accumulated funds on the basis of their respective average funds position during the year.

Unforecast changes in in-year income

24. Defra should be advised of any significant unplanned changes in income or expenditure in accordance with the guidance on reporting performance to the department supplied in section 4 of

the Management Statement. AHDB should report the action that it proposes to take to the department, and agree any necessary amendments to the Corporate Plan, if the changes are likely to have a significant effect on AHDB's performance, or its ability to achieve the objectives of the plan.

Proceeds from disposal of assets

25. Disposals of land and buildings are dealt with in Section VI below.

Gifts and bequests received

26. AHDB is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. [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.]
27. Before proceeding in this way AHDB shall consider if there are any associated costs in doing so or any conflicts of interests arising. AHDB 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.

Borrowing

28. AHDB shall observe the rules set out in Section 29.5 of Government Accounting when undertaking borrowing of any kind. AHDB shall seek the prior approval of Defra to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in Government Accounting.
29. Any expenditure by AHDB financed by borrowing counts in DEL (provided that is the normal budgetary treatment for such expenditure).

IV. EXPENDITURE ON STAFF

Staff costs

30. Subject to its delegated levels of authority, AHDB 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

31. The staff of AHDB whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including pension provision) that take account of Government pay policy and which have been approved by the Board.
32. Current terms and conditions for staff of the AHDB are those set out in its Employee Handbook. AHDB shall provide the Department with a copy of the Handbook and subsequent amendments.
33. Remuneration and allowances of Board Members shall be determined by the Secretary of State.
34. AHDB may operate a performance-related pay scheme which shall form part of the annual aggregate pay budget approved by Defra.
35. AHDB shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)".

Pensions; redundancy/compensation

36. AHDB shall set up suitable pension arrangements for its staff
37. Staff may opt out of the occupational pension scheme provided by AHDB. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level.
38. Any proposal by AHDB to move from the existing pension arrangements, or to pay any redundancy will be notified in advance to Defra, in the case of compensation for loss of office such a proposal will require the prior approval of Defra. 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 AHDB's corporate planning process. Applications for approval by Defra [and if necessary the Treasury] shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of projects shall be submitted to Defra.
41. Within its approved overall resources limit AHDB shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £500K on any individual capital project or acquisition. Beyond that delegated limit, Defra's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

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

42. AHDB shall not, without the Defra's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in chapter 26 of Government Accounting), whether or not in a legally binding form.
43. Any financial guarantees and indemnities given by AHDB or subsidiaries must be adequately covered against undrawn resources.

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 Defra, 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 AHDB, Defra 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) outside the delegated limits set out in the Appendix to this document must have the prior approval of Defra.
48. Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

Leasing

49. Prior Departmental approval must be secured for all property and finance leases. AHDB must have capital provision for finance leases and other transactions which are in substance borrowing (paragraphs 38-39 above).
50. Before entering into any lease (including an operating lease) AHDB shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

51. AHDB shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better vfm than conventional procurement. Where cash flow projections may result in delegated spending authority being breached AHDB shall consult the sponsor Department.
52. Any partnership controlled by AHDB shall be treated as part of AHDB 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 Defra will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

53. AHDB shall not establish subsidiary companies (except as provided for in the Agriculture and Horticulture Development Board Order 2008) or joint ventures without the express approval of Defra. In judging such proposals Defra will have regard to the Defra's wider strategic aims objective and current Public Service Agreement. If AHDB sets up subsidiaries or engages in joint ventures that are treated in national accounts as part of AHDB, the income, expenditure and financing transactions of such bodies must be consolidated with AHDB's own income, expenditure and financing operations.
54. Any subsidiary company or joint venture controlled or owned by AHDB 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 Defra will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with Defra 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

55. AHDB shall not make any investments in traded financial instruments without the prior written approval of the Defra, 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 AHDB shall equally be subject to Defra approval unless covered by a specific delegation.

Unconventional financing

56. Unless otherwise agreed with Defra, AHDB shall not enter into any unconventional financing arrangement.

Commercial insurance

57. AHDB shall not take out any insurance 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 Managing Pubic Money.
58. Defra shall have a written agreement with AHDB about the circumstances in which, in the case of a major loss or third party

claim, an appropriate addition to budget out of Defra's funds and/or adjustment to AHDB's targets shall be considered.

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

59. AHDB shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

60. AHDB shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets shall be sold by auction or competitive tender unless otherwise agreed by Defra, and in accordance with Government Accounting, Chapter 24.
61. AHDB may normally retain receipts derived from the sale of assets provided that:
- Defra and the Treasury are content for AHDB to retain these receipts;
 - they are used to finance other capital spending;
 - Defra receives prior notification of individual sales; and
62. If, notwithstanding the above, AHDB 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 Defra, which shall then submit an estimate seeking approval for the receipts to be appropriated in aid by Defra.

Recovery of grant-financed assets

63. Where AHDB has financed expenditure on capital assets by a third party, AHDB shall make appropriate arrangements to ensure that any such assets above a value of £50 000 are not disposed of by the third party without AHDB's prior consent.
64. AHDB 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 Defra.
65. AHDB shall ensure that if the assets created by grants made by AHDB 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 AHDB for surrender to Defra. The amounts recoverable under the procedures in paragraphs 59-61, above shall be calculated by reference to the best possible value of the asset and in proportion to the Exchequer's original investment(s) in the asset.

VII. BUDGETING PROCEDURES

Setting the annual budget

66. The rate of levy for each sector (and any higher rate for late payment of the levy) must be approved annually by the Secretary of State acting, and where appropriate, with the approval of the National Assembly for Wales, the Scottish Ministers and the relevant Northern Ireland department. AHDB will then revise the relevant Corporate Plan. The approval will form part of the Corporate Planning process.
67. Each year, in the light of decisions by Defra on AHDB's updated draft corporate plan (Section 4.1 of the Management Statement), Defra will send to AHDB
 - A formal statement of the annual levy rate approved by Ministers;
 - and
 - a statement of any planned change in policies affecting AHDB.
68. AHDB's approved annual business plan will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Departmental funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (Section 4.2 of the Management Statement.)

General conditions for authority to spend

69. Once AHDB's budget has been approved by Defra and subject to any restrictions imposed by Statute, the Secretary of State, and this document, AHDB shall have authority to incur expenditure approved in the budget without further reference to Defra, on the following conditions:
 - AHDB shall comply with the delegations set out in Appendix 2 of this document. These delegations shall not be altered without the prior agreement of Defra;

- AHDB shall comply with the conditions set out in paragraph 12 above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in AHDB's budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed
- AHDB shall obtain the department's prior written approval before making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department.
- AHDB shall obtain the department's prior written approval before 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.
- AHDB shall obtain the department's prior written approval before carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.
- AHDB shall provide Defra with such information about its operations, performance individual projects or other expenditure as Defra may reasonably require (paragraph 70 below).

Providing monitoring information to the Department

70. AHDB shall provide Defra with, as a minimum, information on a quarterly basis which will enable the satisfactory monitoring by Defra of:
- AHDB's cash management;
 - forecast outturn by resource headings;
 - other data required for the Combined On-line Information System (COINS)
 - any relevant information on performance, budgeting, control and risk management.

VIII. BANKING

Banking arrangements

71. AHDB's Accounting Officer is responsible for ensuring that AHDB's banking arrangements are in accordance with the requirements of Government Accounting and the Treasury guidance document Departmental Banking: a Manual for Government Departments. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.
72. 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 Defra's Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 3.6 of the Management Statement);
 - AHDB'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. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

73. AHDB shall comply with the following general guidance documents or such documents that may replace them:
- this document;
 - Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice http://www.hm-treasury.gov.uk/.../governance_risk/psr_governance_corporate.cfm;
 - Managing Public Money (MPM);
 - Government Internal Audit Standards, http://www.hm-treasury.gov.uk/...gia_guidance.cfm;

- Management of Risk: Principles and Concepts: (www.hm-treasury.gov.uk/media/3/5/FE66035B-BCDC-D4B3-11057A7707D2521F.pdf);
- Managing the Risk of Fraud, (www.hm-treasury.gov.uk/media/C/3/managing_the_risk_fraud_guide_for_managers.pdf);
- Government Financial Reporting Manual (FReM), www.financial-reporting.gov.uk/;
- 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;
- Regularity, Propriety and Value for Money, www.hm-treasury.gov.uk/media/A/2/Reg_Prop_and_VfM-November04.pdf ;
- The Parliamentary Ombudsman's Principles of Good Administration
www.ombudsman.org.uk/improving_services/good_administration/index.html ;
- Consolidation Officer Memorandum, and relevant DCO letters;
- 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 sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the NDPB.

X. REVIEW OF FINANCIAL MEMORANDUM

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

March 2008