

MEMORANDUM OF UNDERSTANDING
between
THE SECRETARY AND KEEPER OF RECORDS OF THE DUCHY OF
CORNWALL AND HM TREASURY

This document sets out the processes through which HM Treasury and the Duchy of Cornwall estate (The Duchy) fulfil the legal requirements for management of the estate.

Legal authority

2. The relevant legislation is the Duchies of Lancaster and Cornwall Management Act 1838 and the Duchy of Cornwall Management Acts 1863 and 1982.

3. The Duchy of Cornwall is a private estate established to provide an income for the present and future Dukes of Cornwall, independent of both the Crown and public support. The Duchy does not manage public money (though it may qualify for assistance available to other comparable organisations).

4. Under the Duchy of Cornwall Management Acts the Treasury must seek to ensure that the estate's capital is protected for future generations. The Treasury's specific remit is to:

- direct the form of the Duchy's annual accounts;
- present the accounts to Parliament;
- approve large property transactions under s11 of the 1863 Act;
- approve other large transactions undertaken for the good of the estate under s7 of the 1982 Act .

5. The Duchy has consent for property transactions below £500k.

Accounts

6. The Treasury sets an Accounts Direction reproduced within the Duchy accounts determining the form and content of the Duchy's accounts. It is updated from time to time, in consultation with the Duchy, to ensure that current good practice and accounting standards are followed.

Financial oversight

7. Because the Duchy is a private estate and does not manage public money, the Treasury's oversight is limited as defined by the law. The Treasury does not determine nor second guess the estate's strategic approach. The Duchy does not have an accounting officer.

8. The Duchy's Finance Director and the Treasury Officer of Accounts hold quarterly meetings, with additional meetings arranged as business requires. These meetings discuss any foreseeable large property transactions which may call for specific Treasury approval. In addition the Duchy provides additional information for context such as information on the Duchy's medium term strategic plan and its budget for the year ahead. The Treasury checks that the Duchy's approach is financially sound and capable of maintaining the capital value of the estate for future Dukes.

Large transactions above £500,000

9. The Duchy provides the Treasury with advance notice of large property transactions so that business is conducted in an efficient manner.

10. When assessing proposed large property transactions under s11 of the 1863 Act, the Treasury seeks evidence that the terms are commercial. Helpful indicators include:

- for sales, competition among potential purchasers and at settlement prices in line with estate agents' guide prices;
- for investment and development projects, actual or expected returns at market levels.

11. Where an investment transaction is part of a larger programme, the Treasury seeks evidence that the project overall will satisfy the Duchy's statutory duties striking an appropriate balance between the interests of the present and future Dukes. So in any development phase, short term costs and risks may be acceptable if they are likely to deliver a longer term commercial return.

12. In the case of large transactions proposed under s7 of the 1982 Act, the Treasury needs to be satisfied that each investment is genuinely conducive to the maintenance of the capital assets within the estate. The Treasury always looks for evidence that such investments form a minor part of the Duchy's programme since they may reduce the Duchy's short term commercial returns.

13. If the Treasury requires additional assurance about a transaction, it may ask the Duchy to obtain independent evidence, eg a valuation from a suitable unconnected expert. The Treasury may also seek independent advice.

14. The Treasury submits a warrant for each agreed large property transaction to two Lords Commissioners in order to obtain approval before the project goes ahead.

Disagreement

15. Were the Treasury to refuse approval for a transaction then that transaction cannot proceed unless the Duchy can produce further information that subsequently

convinces the Treasury that the transaction will support the capital asset value of the estate.

Duty of Confidence

16. All discussions are held under a duty of confidence in order to enable a free and frank exchange.

Review

17. This memorandum is reviewed annually. An up to date version is published on the Duchy websites.

9 January 2014