



HM Treasury

# Framework document templates

Guidance

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# Introduction

1. This paper provides guidance on specimen framework document templates. It should be read in conjunction with Chapter 7 of Managing Public Money (MPM), its accompanying annexes and the specimen framework document for the relevant arm's length body (ALB).
2. A framework document sets out arrangements for departments to monitor and understand their ALB's strategy, performance and delivery. Framework documents constitute a core constitutional document of the ALB and it is imperative that accounting officers, board members and senior officials are familiar with them, ensure they are kept up to date and use them as a guide to govern the collaborative relationship between the ALB, the sponsor or shareholder department and the rest of government. There is a joint obligation on officials and employees within the ALB and within the sponsor or shareholder department to be familiar with, update and comply with its terms as appropriate.
3. There are seven different specimen framework documents corresponding to five classifications of ALB. They are:
  - Executive agencies
  - Non-departmental public bodies
  - Central government companies
  - Public corporations
  - Non-ministerial departments
  - Non-departmental public bodies with charitable status
  - Statutory office holders
4. As set out in MPM Annex 7.2, the specimen framework document relevant to the ALBs classification should be complied with. Departures from the specimen framework document should be clearly signposted, explained and justified. A "comply or explain" table (see Annex A for template) should be completed and submitted alongside the draft framework document to HM Treasury when clearance is sought.
5. The draft framework document should be agreed first with the sponsor or shareholder department Corporate Governance Team or Financial Governance Team or equivalent, before seeking clearance from the Principal Accounting Officer of the sponsor or shareholder department. Finally, it should be cleared with the appropriate HM Treasury spending team and the Treasury Officer of Accounts.
6. It is, important that the framework documents reflect their particular circumstances and working arrangements. It may, therefore, be appropriate for departments to consider using a different template to that prescribed by

classification if the individual circumstances of the body mean that another of the templates would be more appropriate, from an operational or policy perspective. For example, it may be appropriate for an NDPB with a board responsible for complex commercial operations to use the central government companies template. Such tailoring will not be viewed as non-compliance with the template, unless it is in conflict with or limits the spending delegations, obligations, duties and expectations as set out in these core terms.

7. Departments considering using a different template to the one appropriate to the ALBs classification should consult with HM Treasury spending teams and may also seek advice from the Cabinet Office Public Bodies Governance Team.
8. Departments should also seek advice from UK Government Investments (UKGI), the government's centre of excellence in corporate finance and corporate governance when establishing central government companies, public corporations or ALBs whose function is of material complexity, and/or which have a significant commercial element, or significant private sector interface and/or whose governance is of material complexity. Departments should also consider whether UKGI is best placed to deliver the shareholder function itself on behalf of the department, or if not, systematically seek the advice and use the expertise of UKGI during the life of such arm's length bodies.

# Executive agencies

9. Executive agencies are created by administrative action and do not have a separate legal personality to their parent department. They are not created by statute (although they may have statutory powers). The framework document will be the primary document governing the relationship between the parent department and the agency, although it will still need to reflect any statutory provisions that exist.
10. The CEO of the executive agency will be appointed as accounting officer and they will be supported by a board. Boards in executive agencies fulfil an advisory function and do not have fiduciary responsibilities unless set out in statute. The framework document template provided is for an executive agency with a management board, headed up by a non-executive chair, and with executive and non-executive board members. Where an executive agency operates either close to its parent department or is considered by its home department to be too small to warrant a full management board with non-executive directors, then the home department's audit and risk committee should provide the assurance function for the agency. In this situation, the executive agency does not require non-executive board members on its management board. Instead, it would be led by an executive board, headed by the Chief Executive. The framework document should be adapted accordingly in these circumstances.
11. Where executive agencies have significant commercial elements, it may be appropriate to include aspects of other template framework documents (e.g. the central government companies template). This approach should be agreed with the relevant HM Treasury spending team, the Treasury Officer of Accounts and it also may be appropriate to seek advice from the Cabinet Office Public Bodies Governance Team.
12. Executive agencies are part of a government department. They operate at arm's length from Ministers, though a Minister will be responsible to Parliament for their executive agencies. Their funding will usually be provided directly via the Supply process. Executive agencies can also be funded via levies and charges or commercial income that is retained by the body as agreed with HM Treasury and authorised by Parliament.
13. As central government entities, Parliament will have similar expectations to those concerning departments and other central government ALBs.



# Non-departmental public bodies

14. Non-departmental public bodies (NDPBs) are the most common arm's length body. NDPB's are usually created by statute and the framework document will reflect those statutory provisions.
15. NDPBs have a role in the process of national government but are not part of a government department. They operate at arm's length from Ministers, though a Minister will be responsible to Parliament for the NDPBs. The majority of their income will be provided via the Supply process. This will usually be funding directly supplied through Grant in Aid from a sponsor department but can also include funding via levies and charges or commercial income that is retained by the body as agreed with HM Treasury and authorised by Parliament.
16. Parliamentary expectations will require departmental and financial oversight from the centre while maintaining functional independence as set out in founding legislation (MPM 7.1.3). When drafting legislation for the creation of a new body expected to be classified as an NDPB it may be appropriate to consider the expectations as set out in this specimen framework document to ensure that appropriate and consistent standards of corporate governance are met. It will also be appropriate to follow the approval process for the creation of new ALBs as set out in Part 2 of the Public Bodies Handbook<sup>1</sup>.
17. Where an NDPB is also established under the Companies Act the Central Government Company template should be used in order to ensure that the interactions between Companies Act obligations and obligations as a public body are reflected.
18. It may also be appropriate to use the Central Government Company template for NDPBs which have a significant commercial element, significant private sector interface and/or whose governance function is of material complexity. This approach should be agreed with the relevant HM Treasury spending team, and it also may be appropriate to seek advice from the Cabinet Office Public Bodies Governance Team. Departments should also seek advice from UKGI.
19. There is also a separate framework document which should be used for non-departmental public bodies which are charities. The provisions in this framework document ensure there are mechanisms in place in the event of conflict between charity law and the requirements of central government bodies.

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/686716/The\\_Approvals\\_Process\\_for\\_the\\_Creation\\_of\\_New\\_Arm\\_s-Length\\_Bodies.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686716/The_Approvals_Process_for_the_Creation_of_New_Arm_s-Length_Bodies.pdf)

# Central government companies

20. Central government companies may be limited by shares or guarantee. Due to being part of central government these may have higher level of financial control than might be expected of that between a shareholder and company in the private sector. It will be important to ensure expectations of directors under their statutory responsibilities under the Companies Act marry with the requirements of central government guidance. Where such conflicts are identified it may be appropriate to amend the articles of the company or consider where exemption to central government requirements may be possible or appropriate.
21. There is an alternative specimen framework document intended for the most common form of arm's length body, the non-departmental public body. These are usually created by statute. While central government companies may also be administratively classified as non-departmental public bodies, for companies the central government company specimen should be used in order to ensure that the interactions between Companies Act obligations and obligations as public body are reflected.
22. As central government entities, Parliament will have similar expectations to those concerning NDPBs. This will be an expectation requiring financial oversight from the department and from the centre while maintaining functional independence as set out in founding legislation or company articles and the policy intent behind the use of the corporate form (MPM 7.1.3).
23. It may also be appropriate to use the central government company specimen for ALBs which have material governance complexity, and / or a significant commercial element or significant private sector interface. Departments considering this should consult with HM Treasury Spending teams and may also seek advice from the Cabinet Office Public Bodies Governance Team.
24. Departments should also seek advice from UK Government Investments (UKGI), the government's centre of excellence in corporate finance and corporate governance which have a significant commercial element, private sector interface and/or whose governance is materially complex. In the case of such organisations, departments should also consider whether UKGI is best placed to deliver the shareholder function itself on behalf of the department, or if not, systematically seek the advice and use the expertise of UKGI during the life of such arm's length bodies.
25. When drafting legislation or articles for the creation of a new company expected to be classified as central government and an NDPB it may be appropriate to consider the expectations as set out in this framework specimen to ensure that appropriate and consistent standards of corporate governance are met.

# Public corporations

26. Companies established by government that meet the “market body test” are classified by the ONS as public corporations. The “market body test” requires that the company derives more than 50% of its production cost from the sale of goods or services at economically significant prices.
27. Public corporations are usually established in statute, and with their powers also defined in statute. As companies, relevant corporate legislation, including the Companies Act 2006, apply.
28. Unlike central government companies, public corporations are not classified to central government. Therefore, as a matter of course they are not subject to MPM and their Chief Executive will generally not be designated as an accounting officer.
29. Instead, they are subject to levels of control and governance that are deemed appropriate by the shareholder department and agreed with the company and approved by HM Treasury. It may be the nature of the body is such that it would be appropriate to consider if that a requirement for compliance with the principles of MPM should be imposed. This should be achieved through the exercise of shareholder rights and is not the default position. If this outcome is sought it may be appropriate to appoint the Chief Executive as an “accountable person” mirroring the role of the accounting officer for central government bodies, to ensure the shareholder expectations in this regard are met.
30. The framework document should reflect the agreed controls and governance between the shareholder and the company, be consistent with the company’s Articles of Association and be adapted to suit the corporate context in which the public corporation is operating, whilst maintaining public sector disciplines.
31. The exception to this rule are Trading Funds, which are classified as public corporations, do have accounting officers, and are always subject to MPM.
32. Departments should seek advice from UK Government Investments (UKGI), the government’s centre of excellence in corporate finance and corporate governance, when establishing public corporations. Departments should also consider whether UKGI is best placed to deliver the shareholder function itself on behalf of the shareholder department, or if not, systematically seek the advice and use the expertise of UKGI during the life of such arm’s length bodies.

# Non-ministerial departments

33. Non-ministerial departments are government departments in their own right. They can be created by administrative action, but this is usually supplemented by primary legislation.
34. Non-ministerial departments do not answer directly to any government minister. They have their own accounting officers (the Chief Executive Officer) supported by a board.
35. Non-ministerial departments receive funding directly from parliament via their own Estimate and negotiate directly with the Treasury in respect of their budgets.
36. As central government entities, Parliament will have the same expectations as those concerning ministerial departments and other central government ALBs.
37. Although non-ministerial departments do not directly report to a government minister, a ministerial department will maintain a sponsor-like relationship with the non-ministerial department, so that the minister of that department can account for the non-ministerial department's business in Parliament.
38. The framework document should reflect the lighter touch nature of the relationship between the sponsor department and the non-ministerial department. As a result, the template is significantly shorter and with more scope to reflect specific operating arrangements between non-ministerial departments and their sponsor departments.

# Non-departmental public bodies with charitable status

39. NDPB's may also be incorporated as charities in statute or by royal charter, therefore giving it charitable purposes as well as being a central government NDPB.
40. Like other NDPBs, their income will be provided via the Supply process. This will usually be funding directly supplied through Grant in Aid from a sponsor department but can also include funding via levies and charges or commercial income that is retained by the body as agreed with HM Treasury and authorised by Parliament. Therefore, the parliamentary expectations upon them, will be equivalent to other NDPBs, including the requirement to comply in full with Managing Public Money.
41. However, the framework document needs to balance the statutory provisions governing the body, the body's governing documents, the trustees' duties under charity law, and the administrative requirements placed on central government bodies.
42. In particular, it is critical to ensure that the interactions between charity law obligations, and obligations as a central government body, are reflected and that there are clear mechanisms to manage such conflicts. For example, how the CEO as accounting officer will be able to meet their accounting officer responsibilities when not being an active member of the board of trustees.

# Statutory office holders

43. A statutory office holder is a position established under legislation and sometimes as a separate legal entity or corporation sole, with a specific remit to conduct activities or deliver services within the public sector but which is an individual and not an organisation.
44. Statutory office holders can take a number of different forms. They may sit within a department or arm's length body, and therefore be part of a body which is an ALB or department in its own right. In such cases they will not have their own Accounting Officer. Instead, the Principal Accounting Officer, or the Accounting Officer of the arm's length body, will need to ensure they have appropriate accountability and governance arrangements in place to fulfil their Accounting Officer duties in respect of the statutory office holder.
45. Alternatively, statutory office holders may sit at arm's length from a sponsor department and employ their own staff, with their own Accounting Officer, and effectively be a public body in their own right.
46. The template framework document provided is for the latter situation. In instances where the statutory office holder sits closer to (or within) a department, the template should be adapted accordingly.
47. At the extreme end of the spectrum, where the statutory office holder is an individual within a department, entirely supported by staff from the department, the Principal Accounting Officer may not deem it necessary to agree a framework document at all.
48. If in doubt about the requirement for or approach to the framework document, consult the Treasury.
49. Where they are agreed, framework documents need to balance the statutory provisions and elements of independence governing the statutory office holder, with the requirements of central government bodies.
50. Framework documents should also clearly set out where the statutory office holder integrates into the sponsor department's processes (e.g. audit and accounts), the role of any board in the governance structure, and how the Principal Accounting Officer gains assurance if there is no Accounting Officer for the statutory office holder.

# Annex A: Comply or explain table

No.	Section/Paragraph	Change from the template	Explanation of reason for change
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## HM Treasury contacts

This document can be downloaded from [www.gov.uk](http://www.gov.uk)

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