

UKAEA framework document:

Non-departmental public body (excluding central government companies)

May 2024



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Introduction and background

1. Purpose of document

- 1.1. This framework document has been agreed between the Department for Energy Security and Net Zero (DESNZ) and the United Kingdom Atomic Energy Authority (UKAEA, or “the Authority” in references from the relevant acts below), in accordance with HM Treasury's handbook Managing Public Money (“MPM”) (as updated from time to time) and has been approved by HM Treasury.
- 1.2. The framework document sets out the broad governance framework within which UKAEA and DESNZ operate. It sets out UKAEA’s core responsibilities, describes the governance and accountability framework that applies between the roles of DESNZ and UKAEA and sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters.
- 1.3. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms. It is signed and dated by DESNZ and UKAEA.
- 1.4. References to UKAEA include all its subsidiaries and joint ventures that are classified to the public sector and central government for national accounts purposes. If UKAEA establishes a subsidiary or joint venture with potential MPM implications, there shall be a document setting out the arrangements between it and UKAEA agreed with DESNZ. This covers UK Industrial Fusion Solutions Ltd, a wholly owned subsidiary company incorporated in England and Wales.
- 1.5. UKAEA and its subsidiary companies have their own internal governance arrangements which will not conflict with this Framework Document, the Act and other relevant policies and guidance to the extent they are applicable. Where subsidiary guidance is found to conflict, the Framework Document will be presumed to prevail unless explicitly stated otherwise and agreed by DESNZ.
- 1.6. Copies of this framework 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 [UKAEA website/gov.uk.]
- 1.7. This framework document should be reviewed and updated at least every three years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of DESNZ. The latest date for review and updating of this document is May 2027.

2. Objectives

- 2.1. DESNZ and UKAEA share the common objective of enabling the UK to lead and benefit from the commercialisation of sustainable fusion energy. To achieve this, UKAEA and DESNZ will work together in recognition of each other's roles

and areas of expertise, providing an effective environment for UKAEA to achieve its objectives through the promotion of partnership and trust and ensuring that UKAEA, and any subsidiary also supports the strategic aims and objectives of the department and wider government as a whole.

3. Classification

- 3.1. UKAEA has been classified as a central government organisation by the ONS/HM Treasury Classifications team.
- 3.2. It has been administratively classified by the Cabinet Office as a non-departmental public body (NDPB).

Purposes, aims and duties

4. Purposes

- 4.1. UKAEA is a non-Departmental public body (NDPB) that was established by the Atomic Energy Authority Act 1954 (the 1954 Act) as a statutory corporation able to do such things and enter into such transactions as are appropriate, incidental, necessary or expedient to the exercise and performance under the Act. UKAEA is responsible for accounting to DESNZ for the activities of UKAEA and its subsidiary companies.

5. Powers and duties

- 5.1. UKAEA's original statutory functions, powers and duties stem from, and are detailed in, Section 2 of the 1954 Act. UKAEA delivers its mission directly and through its subsidiary companies in accordance with section 80 Energy Act 2004.
- 5.2. UKAEA's statutory functions under the 1954 Act that remain in 2024 are:
- to produce, use and dispose of atomic energy and carry out research into any matters connected therewith;
 - to manufacture or otherwise produce, buy or otherwise acquire, store and transport any articles which in the opinion of the Authority are, or are likely to be, required for or in connection with the production or use of atomic energy or such research as aforesaid, and to dispose of any articles manufactured, produced, bought or acquired by them;
 - to manufacture or otherwise produce, buy or otherwise acquire, treat, store, transport and dispose of any radioactive substances;
 - to make arrangements with universities and other institutions or persons for the conduct of research into matters connected with atomic energy or radioactive substances and, with the approval of the Lord President of the Council¹ and the Treasury, to make grants or loans to universities and other institutions or persons engaged in the production or use of atomic energy or radioactive substances or in research into matters connected with atomic energy or radioactive substances; and
 - to distribute information relating to, and educate and train persons in matters connected with, atomic energy or radioactive substances.
- 5.3. Section 4(1) of the Science and Technology Act 1965 gave UKAEA the additional function to undertake scientific research in such matters not connected with atomic energy as may, after consultation with UKAEA, be required by the Secretary of State.
- 5.4. Section 101 of the Control of Pollution Act 1974 gives UKAEA powers to engage in the UK or elsewhere in such activities relating to the treatment and disposal of waste and other matters as the Secretary of State may from time to time specify by notice given to UKAEA and to anything which appears to UKAEA to be appropriate for the purpose of exercising the powers conferred on UKAEA.

¹ The duties of 'Lord President of the Council' have been transferred through a series of statutory instruments since 1954 through the Secretary of State for Trade and Industry to the Secretary of State for Energy Security and Net Zero.

5.5. The Atomic Energy Authority Act 1986 put UKAEA's finances on a trading fund basis and gave it the power:

- to borrow subject to the consent of the Secretary of State and HM Treasury (HMT); and
- to exploit commercially intellectual property resulting from its research and development or at its disposal by virtue of collaboration or exchange agreements.

However, UKAEA is treated as an NDPB for budgetary and accounting purposes.

5.6. Section 80 of the Energy Act 2004 provides the following express functions and powers to UKAEA:

- to carry on such functions as the Authority considers appropriate in connection with anything which the Nuclear Decommissioning Authority (NDA) has responsibility for e.g. granting the Authority powers to work as a contractor on nuclear sites and elsewhere out with Authority ownership or control;
- to develop and to commercially exploit any "expertise" in support of NDA requirements;
- to do all such things which the Authority considers would be likely to facilitate the exercise or performance of its powers and duties; or which are incidental to so doing;
- to discharge such functions and powers through subsidiaries, contractual or other arrangements; and
- to provide administration services for nuclear and public sector pension schemes.

6. Aims

6.1. The principal mission of UKAEA is to

"Deliver sustainable fusion energy and maximise scientific and economic impact."

6.2. To implement the principal mission, UKAEA has set five interconnected strategic goals:

- **Solve** challenges of sustainable fusion energy – from design through to decommissioning – with world-leading science and engineering;
- **Enable** partners to design, deliver, and operate commercial fusion power plants;
- **Drive** UK economic growth and a thriving industry that exports fusion technology around the world;
- **Create** clusters that accelerate innovation in fusion and related technologies; and
- **Develop** the talented, diverse people needed to deliver fusion energy.

6.3. UKAEA has secondary missions to enhance the value of the Culham and Harwell sites and undertake residual activities for which it is responsible.

- 6.4. Each year the UKAEA Board, in consultation with the UKAEA Executive and DESNZ, define specific performance measures and targets relating to UKAEA's mission and goals.
- 6.5. DESNZ determines the framework within which UKAEA objectives and targets are set. Objectives and key targets are agreed within UKAEA's Corporate and Business Planning process to support DESNZ's Vision and Objectives.
- 6.6. DESNZ fund a number of items under the 'Shareholder Programme Agreement'. Apart from some operational funding of essential maintenance obligations of UKAEA's Culham campus and funding of new restructuring activities, these commitments relate to historic liabilities that have remained UKAEA's responsibility after the restructuring of the public sector nuclear industry over a number of years. These commitments are:
- costs related to the management of non-NDA designated estates (i.e. Culham and parts of Harwell), and the cost of participation in the Harwell Science and Innovation Campus Joint Venture;
 - historical restructuring costs from previous industry reorganisations, largely relating to continuing early retirement costs not borne by the pension schemes, including pre-Trading Fund liability early retirements carried out before 1986;
 - new restructuring costs being incurred, as agreed with DESNZ and predecessors, for implementation of UKAEA restructuring programmes, aimed at reducing costs and reorienting the organisation;
 - pension administration costs relating to legacy pensioners and deferred active pensioners arising from historic and more recent NDA restructuring;
 - the cost of participation in the Compensation Scheme for radiation linked diseases and any payments made under the Scheme;
 - payments made for uninsured non-radiologically derived liabilities in relation to occupational personal injuries and diseases arising from historic exposures (for example, to asbestos); and
 - liabilities under the Nuclear Installations Act in respect of occurrences prior to the date of the various Transfer Schemes which created RSRL, DSRL and UKAEA Ltd (and where the costs are not met within the NDA-funded decommissioning and associated programmes).
- 6.7. In 1986 Ministers gave UKAEA a general undertaking to continue to accept responsibility in principle for the costs which UKAEA incurs in treating and disposing of nuclear wastes and in decommissioning plant arising from programmes carried out prior to April 1986 and for work carried out on behalf of the Department of Energy after April 1986. This is the basis of DESNZ's financial responsibility for UKAEA's remaining nuclear liability.
- 6.8. DESNZ also provide a letter of comfort relating to historic restructuring costs.

Governance and accountability

7. Governance and accountability

7.1. UKAEA shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this framework document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.

7.2. In particular (but without limitation), UKAEA should:

- comply with the principles and provisions of the Corporate Governance Code for Central Government Departments² (as amended and updated from time to time) to the extent appropriate and in line with their statutory duties or specify and explain any non-compliance in its annual report;
- comply with MPM;
- in line with MPM have regard to the relevant Functional Standards³ as appropriate and in particular those concerning Finance, Commercial and Counter Fraud; and
- take into account the codes of good practice and guidance set out in Annex A of this framework document, as they apply to ALBs.

7.3. In line with MPM Annex 3.1, UKAEA shall provide an account of corporate governance in its annual governance statement including the Board's assessment of its compliance with the Code with explanations of any material departures. To the extent that UKAEA does intend to materially depart from the Code, DESNZ should be notified in advance.

² <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

³ <https://www.gov.uk/government/collections/functional-standards>

Role of the department

8. The responsible Minister

- 8.1. The Secretary of State for DESNZ is accountable to Parliament for all matters concerning UKAEA.
- 8.2. The Secretary of State's statutory powers in respect of UKAEA are set out in the 1954, 1986, and 2004 Acts.
- 8.3. These are:
 - appointing and setting the terms and conditions of the members of UKAEA;
 - approving the policy and performance framework within which UKAEA operates;
 - providing information about UKAEA to Parliament as required;
 - determining the amount of grant-in-aid, grant and other funds to be paid to UKAEA, and seeking Parliamentary approval;
 - determining, with Treasury approval, the members' remuneration and pensions;
 - arranging for the DESNZ Principal Accounting Officer to carry out the annual appraisal of the performance of the UKAEA Chair; and
 - to consult with UKAEA before issuing any directions, and not to intervene in detail in the conduct of UKAEA's affairs unless national interests so require.

Appointments to the Board

- 8.4. The Chair and Members (referred to as the UKAEA Board) constitute UKAEA and exercise and perform the statutory functions given to UKAEA. The term "members" refers to Non-Executive and Executive appointments to the UKAEA Board.
- 8.5. The Chief Executive of UKAEA is appointed to the Board by the Secretary of State in consultation with the UKAEA Board.
- 8.6. The Secretary of State shall have the following appointment and approval rights in relation to the UKAEA Board:
 - the chairperson is appointed by the Secretary of State under Section 1 of the 1954 Act. This appointment is subject to the Public Appointments Order in Council 2023 and as such must comply with the Governance Code on Public Appointments;
 - between four and fifteen non-executive members are appointed by the Secretary of State under section 1 of the 1954 Act as amended by section 11 of the 1995 Act. These appointments are subject to the Public Appointments Order in Council 2023 and as such must comply with the Governance Code on Public Appointments;
 - the Secretary of State may appoint a senior employee of the Departmental sponsorship team as a member of UKAEA. As such, they will be a non-executive member of the UKAEA Board;
 - at the request of the Board, the Secretary of State may appoint and remove other serving executives as members of the Board; and

- all such appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint boards which include a balance of skills and backgrounds.
- 8.7. DESNZ may provide a letter to appointed members (this includes the departmental representative director in accordance with Paragraph 12.2.5 of the Civil Service Management Code (issued by the Cabinet Office)⁴), including to members of its subsidiaries, to confirm Crown Indemnity for all claims, liabilities, costs, charges, expenses, losses or any damages of a civil nature which may be made against the member arising in connection with their actual or purported performance or exercise of (or failure to perform or exercise) their duties, responsibilities and powers as a Member of the UK Atomic Energy Authority from time to time provided they have acted legally and in good faith. This indemnity may, at the discretion of DESNZ and with appropriate Treasury approvals, be extended to independent non-executive members of the Board of any subsidiary of UKAEA.
- 8.8. The Secretary of State shall have the following approval rights in relation to the Board of UKIFS and any future subsidiary of UKAEA, except where those rights have been delegated to the AO of UKAEA as set out in the delegation letter:
- the Chief Executive of any subsidiary is appointed by the Chair of that subsidiary and to hold office as a board member of that subsidiary with the endorsement of the Secretary of State and the AO of UKAEA;
 - the Chair of any subsidiary is appointed (and may be removed) by the UKAEA Board with endorsement of the Secretary of State and to hold office as a board member of the subsidiary for the duration of such appointment; and
 - the Secretary of State may direct UKAEA to appoint a DESNZ department representative to any of its future subsidiaries' Boards following consultation with the relevant subsidiary Chair under Section 6.12 of the Corporate Governance in Central Government Departments Guidance (issued by the Cabinet Office) in order to meet the requirements of MPM paragraph 3.10.3.

Other Ministerial powers and responsibilities

- 8.9. The Secretary of State is also responsible for:
- the policy framework within which UKAEA operates;
 - setting the performance framework within which UKAEA will operate;
 - matters regarding spending approvals, acquisitions, disposals, and joint ventures in line with delegations as set out in the delegation letter; and
 - such other matters as may be appropriate and proportionate.
- 8.10. The Secretary of State shall also have the following approval rights in relation to any subsidiary of UKAEA which is established as a company limited by shares through the Companies Act 2006, except as provided in this Framework Document or where those rights have been delegated to the sponsor team or to the AO of UKAEA as set out in the delegation letter, on all matters regarding spending approvals, acquisitions, disposals, and joint ventures including but not limited to:

⁴ <https://www.gov.uk/government/publications/civil-servants-terms-and-conditions>

- any decision by the subsidiary to issue and allot shares or other forms of investment in the capital of the subsidiary (or to transfer or otherwise dispose of UKAEA's interest in such shares or investments) to third parties;
- for subsidiaries which are expected to generate IP, any decision by the subsidiary regarding sales, sharing or other activities with third parties regarding IP, outside that which is delegated as part of an IP Strategy agreed between DESNZ and the subsidiary directly;
- any material changes to the articles of association of the subsidiary;
- any acquisitions or transfers or other disposals in excess of the delegations conferred by the delegation letter from UKAEA to the subsidiary; and
- any decision by the subsidiary to declare, make or pay any dividend or other distributions of capital or revenue.

9. The Principal Accounting Officer

9.1. The Principal Accounting Officer (PAO) is the Permanent Secretary of the department.

PAO's specific accountabilities and responsibilities

- 9.2. The PAO of DESNZ designates the Chief Executive as UKAEA's Accounting Officer (AO) and ensures that they are fully aware of their responsibilities. The PAO issues a letter appointing the AO, setting out their responsibilities and delegated authorities.
- 9.3. The respective responsibilities of the PAO and AOs for ALBs are set out in Chapter 3 of MPM.
- 9.4. DESNZ's PAO is accountable to Parliament for the issue of any grant-in-aid to UKAEA.
- 9.5. The PAO is also responsible, usually via the sponsorship team, for advising the responsible Minister on:
- an appropriate framework of objectives and targets for UKAEA in the light of DESNZ's wider strategic aims and priorities;
 - an appropriate budget for UKAEA in the light of DESNZ's overall public expenditure priorities;
 - how well UKAEA is achieving its strategic objectives and whether it is delivering value for money; and
 - the exercise of the Ministers' statutory responsibilities concerning UKAEA as outlined above.
- 9.6. DESNZ's PAO, via the sponsorship team, is also responsible for ensuring arrangements are in place in order to:
- monitor UKAEA's activities on a continuous basis;
 - address significant problems in UKAEA, while having regard to the principle of not intervening in detail in UKAEA's affairs, by making such interventions as are judged necessary in consultation with UKAEA;
 - periodically carry out an assessment of the risks both to DESNZ and the UKAEA objectives and activities;
 - inform UKAEA of relevant government policy in a timely manner; and

- bring ministerial or departmental concerns about the activities of UKAEA to the full UKAEA board, and, as appropriate to the departmental Board, requiring explanations and assurances that appropriate action has been taken.

10. The role of the sponsorship team

- 10.1. The Fusion team in DESNZ (“the Sponsorship Team”) is the primary contact for UKAEA. The responsible senior civil servant for this relationship is the Deputy Director of the Sponsorship Team. They are the main source of advice to the Secretary of State on the discharge of their responsibilities in respect of UKAEA. They also support the PAO on their responsibilities towards UKAEA.
- 10.2. Officials of the Sponsorship Team will liaise regularly with UKAEA officials to review performance against plans, achievement against targets and expenditure against its DEL and AME allocations. The Sponsorship Team will also take the opportunity to explain wider policy developments that might have an impact on UKAEA.
- 10.3. The main functions of the Sponsorship Team are to:
 - communicate relevant Government policy to UKAEA and advise on the interpretation of that policy; and to issue specific guidance to UKAEA as necessary;
 - advise the Secretary of State on the grant-in-aid for UKAEA within DESNZ’s overall public expenditure provision, and on appropriate performance targets for UKAEA;
 - advise the Secretary of State on matters which require the Secretary of State’s approval;
 - monitor and review UKAEA’s performance against targets and against its total financial provision and act on any significant problems in UKAEA, whether financial or otherwise, in a timely fashion;
 - advise the Secretary of State on how well UKAEA is achieving its objectives and whether it is delivering value for money;
 - advise the Secretary of State on appointments to the UKAEA Board, and, where required, subsidiary boards, and issuing letters of appointment on behalf of the Secretary of State;
 - be sufficiently well informed about UKAEA’s activities to be able to offer advice on any issue for which the Secretary of State may be held to account;
 - establish and maintain appropriate and effective corporate governance foundations which govern DESNZ and UKAEA’s relationship;
 - promote effective objectives, business planning and performance against the business plan;
 - promote the organisational capability of UKAEA and its subsidiaries to deliver against the business plan;
 - promote effective leadership through high quality boards and senior management;
 - promote effective relationships between DESNZ and UKAEA and its subsidiaries; and
 - support and supplement the activities outlined above by, where required, providing an experienced departmental representative on the UKAEA Board and/or the Board of any subsidiary.

- 10.4. The Sponsorship Team will also ensure that there are effective and efficient departmental processes and systems to support key governance activities. This includes implementing a DESNZ-wide policy to establish four named sponsors:
- a Ministerial Champion – providing ministerial oversight and support for key priorities. This will be the Minister responsible for this policy area;
 - a Policy Champion – accountable for the overall relationship [Director General];
 - a Policy Sponsor – undertaking the day-to-day relationship management [Director]; and
 - a Corporate Governance Sponsor – providing business partnership support to the Sponsorship team and UKAEA on governance-related issues [Partnerships Team in DESNZ].
- 10.5. In addition, meetings will take place between the Secretary of State, Junior Ministers and UKAEA Leadership as required. The departmental representative director sits on the UKAEA Board, which meets every two months. Lines of engagement will also be maintained between UKAEA and their counterparts within DESNZ on a regular basis.

Partnership principles between DESNZ and UKAEA

- 10.6. DESNZ and UKAEA will have an open and honest, trust-based partnership supported by the principles set out in the Partnerships between Departments and ALBs: Code of Good Practice⁵. DESNZ and UKAEA will work in partnership based on clear accountability, mutual understanding of strategic aims and objectives, and recognising the unique capabilities each organisation brings so as to add greater collective value. As such, both parties will commit to:
- working together with clear designation of roles between organisations, without duplication of effort;
 - keeping each other informed of any significant issues and concerns;
 - maintaining a focus on what is needed to deliver policy outcomes;
 - supporting and challenging each other on developing policy and practice;
 - maintaining open and honest communication and dialogue, particularly when addressing issues or emerging risks, including sharing information with each other wherever possible;
 - ensuring proportionate oversight at a Departmental and internal level, tailored to reflect different levels of risk in UKAEA's activities; and
 - using their best endeavour to resolve issues and respond to requests as quickly as possible.

⁵ <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>

11. Resolution of disputes between UKAEA and department

- 11.1. DESNZ and UKAEA will take a pragmatic and issue-based approach to dispute resolution. The Framework Document and other governance documents and guidance should be used as a reference point for agreement between two parties. A resolution should be agreed upon in a timely manner and in such a way that any potential disruption to on-going projects or operations is limited as much as possible.
- 11.2. Parties should endeavour to identify emerging issues as early as possible, and to communicate them to each other through the most appropriate route of engagement, which could include routine sponsorship meetings for more day-to-day issues, or direct conversations between the senior management for more urgent matters. Parties will ensure they come to a shared understanding of risk and take action accordingly.
- 11.3. Both parties will agree clear routes of escalation for addressing routine issues as well as urgent matters arising. Issues should be escalated within the organisation at a working level and in a timely manner initially. Where this does not resolve the dispute, the issue should be escalated within DESNZ initially to the relevant Director and subsequently to the Director-General for Net Zero, Nuclear and International, DESNZ PAO and ultimately to the Secretary of State. Within UKAEA the issue should be escalated within the organisation at working level, to the relevant Executive Director as appropriate; and ultimately to the Chief Executive as Accounting Officer or the UKAEA Chair (as appropriate).
- 11.4. Once the dispute is resolved, both parties should conduct lessons-learnt exercises and guidance should be communicated within each organisation and recorded to aid future deliberations.

12. Freedom of Information requests

- 12.1. Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

13. Reporting on legal risk and litigation

- 13.1. UKAEA, including any subsidiaries, shall provide a quarterly update to the sponsor on the existence of any substantial active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the sponsor in a timely manner.

13.2. In respect of each substantial piece of litigation involving UKAEA, UKAEA will agree a litigation protocol with DESNZ which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to DESNZ to facilitate this. Until such time as a protocol is agreed, DESNZ and UKAEA will ensure that:

- material developments in the litigation are communicated to DESNZ in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;
- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
- circulation of privileged information within government occurs only as necessary.

UKAEA governance structure

14. The Chief Executive

Responsibilities of UKAEA's Chief Executive as Accounting Officer

- 14.1. The Chief Executive as Accounting Officer is responsible for UKAEA. The Chief Executive Officer is appointed to the office of Chief Executive by the Board with the approval of the Secretary of State. As AO for UKAEA and its subsidiaries, they are personally responsible for safeguarding the public funds and assets for which they have charge, both tangible and intangible; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of UKAEA. In addition, they should ensure that UKAEA 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. These responsibilities include the below and those that are set in the AO appointment letter issued by the PAO of DESNZ.
- 14.2. The AO cannot transfer their responsibilities to any other party. However, they may delegate the delivery of those responsibilities to others in order to support the AO.
- 14.3. The CEO of any subsidiary of UKAEA is accountable to the AO of UKAEA for the delegations they receive from the AO, to ensure that the principles of MPM are complied with in the running of the subsidiary and to support the AO in the discharge of their governance responsibilities effectively.

Responsibilities for accounting to Parliament and the public

- 14.4. Responsibilities to Parliament and the public 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 Secretary of State;
 - preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
 - ensuring that effective procedures for handling complaints about UKAEA in accordance with Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling are established and made widely known within the UKAEA and published on gov.uk;
 - acting in accordance with the terms of MPM and other instructions and guidance issued from time to time by DESNZ, HM Treasury and the Cabinet Office;
 - ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - any governing legislation,
 - this framework document,
 - any delegation letter issued to UKAEA as set out in paragraph 18.1,

- any elements of any settlement letter issued to DESNZ that is relevant to the operation of UKAEA,
- any separate settlement letter that is issued to UKAEA from DESNZ;
- ensuring they have appropriate internal mechanisms for monitoring, governance and external reporting regarding non-compliance with any conditions arising from the above documents; and
- giving evidence, normally with the PAO, when summoned before the PAC on UKAEA's stewardship of public funds.

Responsibilities to DESNZ

- 14.5. Responsibilities to DESNZ include:
- establishing, in agreement with DESNZ, UKAEA's corporate and business plans and those of any subsidiary companies in the light of DESNZ's wider strategic aims and agreed priorities;
 - informing DESNZ of progress in helping to achieve DESNZ'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 DESNZ; that DESNZ 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 DESNZ in a timely fashion.

Responsibilities to the Board

- 14.6. The Chief Executive is responsible for:
- advising the Board on the discharge of UKAEA's responsibilities, including those of any subsidiaries, 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 UKAEA's performance compared with its aims and objectives; and
 - 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.

Managing conflicts

- 14.7. The Chief Executive should follow the advice and direction of the Board, except in very exceptional circumstances with a clear cut and transparent rationale for not doing so.
- 14.8. If the Board, or its chairperson, 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, is of questionable feasibility, or is unethical the chief executive in their role as AO should reject that course of action and ensure that the Board have a full opportunity to discuss the rationale for that rejection.
- 14.9. Such conflicts should be brought to the attention of the PAO and the responsible Minister as soon as possible.

- 14.10. Furthermore, and if agreed with the responsible Minister, the AO must write a letter of justification to the chair of the Board setting out the rationale for not following the advice and recommendation of the board and copy that letter to the Treasury Officer of Accounts.
- 14.11. If the responsible Minister agrees with the proposed course of action of the Board it may be appropriate for the Minister to direct the AO in the manner as set out in MPM paragraph 3.6.6 onwards.

15. The Board

Composition of the Board

- 15.1. UKAEA will have a board in line with good standards of corporate governance and as set out in Section 1 of the 1954 Act and in guidance as set out in Annex A. The role of the Board shall be to run UKAEA, and to deliver the objectives, in accordance with the purposes as set out above, their statutory, regulatory, common law duties and their responsibilities under this framework document. Detailed responsibilities of the board shall be set out in the Board terms of reference. Remuneration of the Board will be disclosed in line with the guidance in the Government Financial Reporting manual (FReM).
- 15.2. The Board will consist of a chairperson and a number of non-executive members, together with the Chief Executive and a number of executive members, who should collectively have a balance of skills and experience appropriate to directing UKAEA's business. For UKAEA there should be both executive and non-executive members who have experience of programme management, performance management, and finance, as well as experience of working with Government in a regulated environment. This will include as an executive and voting board member an appropriately qualified finance director as described in Annex 4.1 of MPM. The Board should include a majority of independent non-executive members to ensure that executive members are supported and constructively challenged in their role.

Board Committees

- 15.3. The Board may set up such committees as necessary for it to fulfil its functions. As is detailed below at a minimum this should include an Audit and Risk Assurance Committee chaired by an independent and appropriately qualified non-executive member of the Board. The Board also has a People and Remuneration Committee.
- 15.4. While the Board may make use of committees to assist its consideration of appointments, succession, audit, risk and remuneration it retains responsibility for final decisions in all of these areas. The Chair should ensure that sufficient time is allowed at the Board for committees to report on the nature and content of discussion, on recommendations, and on actions to be taken.
- 15.5. The Chair should ensure board committees are properly structured with appropriate terms of reference. The terms of each committee should set out its responsibilities and the authority delegated to it by the Board. The Chair

should ensure that committee membership is periodically refreshed and that individual independent non-executive directors are not over-burdened when deciding the chairs and membership of committees.

Duties of the Board

- 15.6. The UKAEA Board is specifically responsible for:
- establishing and taking forward the strategic aims and objectives of UKAEA consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
 - providing effective leadership of UKAEA within a framework of prudent and effective controls which enables risk to be assessed and managed;
 - ensuring the financial and human resources are in place for UKAEA to meet its objectives;
 - reviewing management performance;
 - ensuring that the Board receives and reviews regular financial information concerning the management of UKAEA;
 - ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the Board or on the attainability of its targets, and determining the steps needed to deal with such changes and where appropriate bringing such matters to the attention of the responsible Minister and PAO via the executive team, sponsorship team or directly;
 - 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 DESNZ, and in accordance with any other conditions relating to the use of public funds;
 - ensuring that in reaching decisions, the Board takes into account guidance issued by DESNZ;
 - ensuring that as part of the above compliance they are familiar with:
 - this framework document,
 - the most recent delegation letter issued to the AO as set out in paragraph 18.1,
 - any elements of any settlement letter issued to DESNZ that is relevant to the operation of UKAEA,
 - any separate settlement letter that is issued to UKAEA from DESNZ;
 - that they have appropriate internal mechanisms for the monitoring, governance and external reporting regarding any conditions arising from the above documents and ensure that the chief executive and UKAEA as a whole act in accordance with their obligations under the above documents;
 - 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;
 - appointing, with the responsible Minister's approval, a Chief Executive and agreeing their remuneration. Once this has been agreed, the Board manage the annual review process and decisions regarding any performance related pay in accordance with the agreed remuneration package.
 - setting performance objectives and setting remuneration for the wider UKAEA Leadership Team which give due weight to the proper

management and use and utilisation of public resources; if required by standard government delegations or agreed limits, consult with DESNZ and HMT on the remuneration packages.

- putting in place mechanisms for independent appraisal and annual evaluation of the performance of the chairperson by the Director General, Net Zero, Nuclear and International, having received input from other board members. The outcome of that evaluation should be made available to the responsible Minister;
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by UKAEA of its objectives;
- ensuring that the responsible Minister is kept informed of any changes which are likely to impact on the strategic direction of the UKAEA Board or on the attainability of its targets, and determining the steps needed to deal with such changes; and
- ensuring that within UKAEA a distinction is made between strategic planning and management, which are responsibilities of the Board, and day-to-day management issues, which have been delegated to the Chief Executive, and that these arrangements have been set down in documented terms of reference.

15.7. The Board should make a strategic choice about the style, shape and quality of risk management and should lead the assessment and management of opportunity and risk in line with the Management of Risk – Principles and Concepts (The Orange Book)⁶. The Board has an Audit and Risk Assurance Committee chaired by an independent and appropriately qualified non-executive member to provide independent advice and ensure that the department's Audit and Risk Assurance Committee receives appropriate assurances when necessary with escalation of any significant limitations or concerns. The Board is expected to assure itself of the adequacy and effectiveness of the risk management framework and the operation of internal control.

16. The Chair's role and responsibilities

16.1. The Chair is responsible for leading the board in the delivery of its responsibilities. Such responsibility should be exercised in the light of their duties and responsibilities as set out in their contract of employment/appointment letter, the priorities in the chair's letter issued to them by the sponsor team, the statutory authority governing UKAEA, this document and the documents and guidance referred to within this document.

16.2. Communications between UKAEA Board and the responsible Minister should normally be through the Chair.

⁶ <https://www.gov.uk/government/publications/orange-book>

- 16.3. The chair is bound by the Code of Conduct for Board Members of Public Bodies⁷, which covers conduct in the role and includes the Nolan Principles of Public Life⁸.
- 16.4. In addition, the Chair is responsible for:
- ensuring, including by monitoring and engaging with appropriate governance arrangements, that UKAEA's affairs are conducted with probity; and
 - ensuring that policies and actions support the responsible Minister's, and where relevant other Ministers', wider strategic policies and where appropriate, these policies and actions should be clearly communicated and disseminated throughout UKAEA.
- 16.5. The Chair 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 DESNZ;
 - 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.
- 16.6. The Chair also has an obligation to ensure that:
- the effectiveness of the Board is reviewed on such timescale as decided by DESNZ, normally once every eighteen months, in a process led by the Chair and including the view of relevant stakeholders including DESNZ, and that this review should be led externally on such timescale as decided by DESNZ, normally once every three years;
 - the Board's members are reviewed and are working effectively including ongoing assessment of the performance of individual board members with a formal annual evaluation and more in-depth assessments of the performance of individual board members when being considered for re-appointment;
 - that in conducting assessments that the view of relevant stakeholders including employees and the sponsorship team are sought and considered;
 - that the Board has a balance of skills appropriate to directing UKAEA's business, and that all directors including the Chair and Chief Executive continually update their skills, knowledge and familiarity with UKAEA to fulfil their role both on the Board and committees. This will include but not be limited to skills and training in relation to financial management and reporting requirements, risk management and the requirements of board membership within the public sector;
 - board members are fully briefed on terms of appointment, duties, rights and responsibilities;
 - the responsible Minister is advised of UKAEA's needs when board vacancies arise;
 - succession plans for a new Chair are developed prior to the Chair's departure from the role;

⁷ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁸ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

- the Board has a Terms of Reference in place setting out the role and responsibilities of the board consistent with the Government Code of Good Practice for Corporate Governance. This should include details of the board effectiveness review process; and
- the Cabinet Office Code of Conduct for Board Members of Public Bodies is adopted.

17. Individual board members' responsibilities

- 17.1. Individual board members should:
- comply at all times with the Cabinet Office Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;
 - demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors as appropriate⁹;
 - 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 UKAEA's rules and policies on the acceptance of gifts and hospitality, and of business appointments;
 - act in good faith and in the best interests of UKAEA; and
 - ensure they are familiar with any applicable guidance on the role of public sector non-executive directors and boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government.

⁹ <https://www.gov.uk/government/publications/public-bodies-non-executive-director-principles/12-principles-of-governance-for-all-public-body-neds>

Management and financial responsibilities and controls

18. Delegated authorities

- 18.1. UKAEA's delegated authorities are set out in the delegation letter. This delegation letter may be updated and superseded by later versions which may be issued by DESNZ in agreement with HM Treasury.
- 18.2. In line with MPM Annex 2.2, these delegations will be reviewed on an annual basis.
- 18.3. UKAEA shall obtain DESNZ's, and where appropriate HM Treasury's, prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the organisation's delegated authority and/or which is not provided for in UKAEA's annual budget as approved by DESNZ;
 - 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 DESNZ;
 - 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.

19. Spending authority

Managing Public Money and Other Government-Wide Corporate Guidance and Instructions

- 19.1. Unless agreed by DESNZ and, as necessary, HM Treasury, UKAEA shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Sponsorship Team in DESNZ in the first instance. A list of guidance and instructions with which UKAEA should comply is in Annex A.
- 19.2. Subject to any restrictions imposed by statute, the appropriate Minister, or this document, UKAEA shall have authority to incur expenditure provided for within allocated Grant-In-Aid funding without further reference to DESNZ, on the following conditions:
- UKAEA shall comply with the delegations set out in the delegation letter. These delegations shall not be altered without the prior agreement of

the sponsor department and as agreed by HM Treasury and Cabinet Office as appropriate;

- UKAEA shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal DESNZ approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- UKAEA shall provide DESNZ with such information about its operations, performance, individual projects or other expenditure as DESNZ may reasonably require.

20. Banking and managing cash

- 20.1. UKAEA must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).
- 20.2. UKAEA should only hold money outside Government Banking Service accounts where a good business case can be made for doing so and HM Treasury consent is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.
- 20.3. Commercial accounts where approved should be operated in line with the principles as set out in MPM.
- 20.4. The AO is responsible for ensuring UKAEA has a banking policy as set out in MPM and ensuring that policy is complied with.

21. Procurement

- 21.1. UKAEA shall ensure that its procurement and supply chain policies are aligned with and comply with any relevant UK Directives, this considers all aspects of European procurement directives which the UK is required to operate within.
- 21.2. UKAEA shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.
- 21.3. In procurement cases where UKAEA is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from DESNZ.
- 21.4. Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional. UKAEA operates a clear policy and process for consideration of such cases, in line with Public Contract Regulations exceptions.
- 21.5. Procurement by UKAEA of works, equipment, goods, and services shall be based on a full option appraisal and value for money (VfM), i.e. the optimum combination and whole life costs and quality (fitness for purpose).

- 21.6. UKAEA shall:
- engage fully with DESNZ and government wide procurement initiatives that seek to achieve VfM from collaborative projects
 - comply with all relevant Procurement Policy Notes issued by Cabinet Office; and
 - comply with Government Functional Standard 008 Commercial (CCIAF – Commercial Continuous Improvement Assessment Framework).
- 21.7. UKAEA shall comply with the commercial and grants standards¹⁰. These standards apply to the planning, delivery, and management of government commercial activity, including management of grants in all departments and ALBs, regardless of commercial approach used and form part of a suite of functional standards that set expectations for management within government.

22. Risk management

- 22.1. UKAEA shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury Orange Book ‘Management of Risk: Principles and Concepts’.

23. Counter fraud and theft

- 23.1. UKAEA should adopt and implement policies and practices to safeguard itself against fraud and theft.
- 23.2. UKAEA should act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set in in MPM Annex 4.9 and the Counter Fraud Functional Standard¹¹. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.
- 23.3. UKAEA should keep records of and prepare and forward to the department an annual report on fraud and theft suffered by UKAEA and notify DESNZ of any unusual or major incidents as soon as possible. UKAEA should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

24. UKAEA Staff

Broad responsibilities for staff

- 24.1. Within the arrangements approved by the Secretary of State and, where appropriate, the Treasury, UKAEA will have responsibility for the recruitment,

¹⁰ <https://www.gov.uk/government/publications/grants-standards>

¹¹ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

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, 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 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 UKAEA 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 are in place; and
- a code of conduct for staff is in place based on the Cabinet Office's Public Bodies – A Guide for Departments (Annex A: Model Code for Staff of Executive Non-departmental Public Bodies)¹².

Staff costs

- 24.2. Subject to its delegated authorities, UKAEA shall seek to ensure that the creation of any additional posts does not incur forward commitments that will exceed its expected ability to pay for them.

Pay and conditions of service

- 24.3. UKAEA has delegated responsibility for staff numbers, pay and conditions as set out in the 1954 Act, within the constraints of the agreed Corporate Plan which, in turn, is determined within the confines of wider public sector pay guidance. Within this, UKAEA is responsible for the terms and conditions of service of and the recruitment, retention and motivation of staff. The statutory requirements are set out in paragraph 7 of the First Schedule to the 1954 Act.
- 24.4. Subject to any relevant delegated responsibilities, UKAEA shall follow the guidelines set out in the updated 2023 'Guidance for approval of senior pay' when setting remuneration packages for senior managers and executives.
- 24.5. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.
- 24.6. Subject to any relevant delegated responsibilities, UKAEA shall abide by public sector pay controls, including the relevant approvals process dependent

¹² https://assets.publishing.service.gov.uk/media/633425cc8fa8f50695b8cfd9/Public_Bodies_-_a_guide_for_departments_-_chapter_5.pdf

on the organisation's classification as detailed in the Senior Pay Guidance¹³ and the Public Sector Pay and Terms Guidance¹⁴.

- 24.7. UKAEA shall operate a performance-related pay scheme that shall form part of the annual aggregate pay budget approved by DESNZ or the general pay structure approved by DESNZ and HM Treasury, whichever is applicable, where relevant with due regard to the Senior Pay Guidance.
- 24.8. The travel expenses of board members shall be tied to the rates allowed to senior staff of UKAEA or departmental rates, whichever is applicable. Reasonable actual costs shall be reimbursed.

Pensions, redundancy and compensation

- 24.9. UKAEA manages a number of pension schemes. These are: the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (closed to new members), and the Protected Persons Superannuation Scheme (closed to new members). They are constituted by rules determined by UKAEA and amended from time to time as approved by Ministers.
- 24.10. The CPS is open to new members but will close for future members at a date to be agreed with HMT under the terms of the Public Service Pensions Act 2013. Pensions will accrue in the Civil Service pension scheme 'alpha' from this date. Previous UKAEA schemes will remain the responsibility of UKAEA.
- 24.11. The schemes cover employees of UKAEA and, where appropriate and in accordance with the scheme rules, former employees of UKAEA.
- 24.12. A separate Management Framework Agreement is in place between UKAEA and DESNZ, covering the management of the UKAEA Pension Schemes.
- 24.13. UKAEA staff shall normally be eligible for a pension provided by UKAEA (the CPS and, from a date to be agreed with HMT, alpha). Staff may opt out of the occupational pension scheme provided by UKAEA but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
- 24.14. Any proposal by UKAEA to move from the existing pension arrangements, or to pay any compensation for loss of office, requires the prior approval of DESNZ. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and be in line with the Delegation Letter provided to UKAEA by DESNZ.

¹³ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

¹⁴ <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

Business plans, financial reporting and management information

25. Corporate and business plans

- 25.1. UKAEA shall submit annually to DESNZ a draft of the corporate plan covering at least the three years ahead. The draft should be submitted by such date as may be agreed with DESNZ from time to time. UKAEA shall agree with DESNZ the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect UKAEA'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). The plan shall demonstrate how UKAEA contributes to the achievement of DESNZ's mission and objectives and should be agreed by DESNZ when it is complete.
- 25.2. 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 DESNZ. Subject to any commercial considerations, the corporate and business plans should be published by UKAEA on its website and separately be made available to staff.
- 25.3. 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;
 - a review of performance in the preceding financial year, and an estimate of performance in the current year;
 - alternative scenarios (if required by DESNZ) and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast;
 - the asset management strategy of UKAEA and any of its subsidiaries, including tangible and intangible assets, as outlined in Annex 4.15 of MPM; and
 - other matters as agreed between DESNZ and UKAEA.
- 25.4. The corporate and business plans of any subsidiary of UKAEA should be written in consultation with UKAEA and DESNZ, approved by the UKAEA Board and subsumed into the UKAEA corporate and business plans for submission to DESNZ, except where DESNZ has delegated the responsibility to approve subsidiary corporate and business plans to UKAEA Board alone.

26. Budgeting procedures

- 26.1. Each year, DESNZ will send to UKAEA by such date as may be agreed from time to time:

- a formal statement of the annual budgetary provision allocated by DESNZ in the light of competing priorities across DESNZ and of any forecast income approved by DESNZ; and
- a statement of any planned change in policies affecting UKAEA.

26.2. The approved annual business plan will take account both of approved funding provision (where this applies) and any forecast receipts. It 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 form part of the approved business plan for the year in question.

27. Grant-in-aid and any ring-fenced grants

27.1. Any grant-in-aid provided by DESNZ for the year in question will be voted in DESNZ's Supply Estimate and be subject to Parliamentary control.

27.2. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. UKAEA will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of UKAEA. Grant-in-aid not drawn down by the end of the financial year shall lapse unless arrangements to carry over GiA have been agreed in advance with DESNZ and HMT. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, DESNZ will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

27.3. In the event that DESNZ provides UKAEA separate grants for specific (ring-fenced) purposes, it would issue the grant as and when UKAEA needed it on the basis of a written request. UKAEA would provide evidence that the grant was used for the purposes authorised by DESNZ. UKAEA shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year, unless agreed in advance with DESNZ.

27.4. UKAEA may, in consultation with the Sponsorship Team, choose to exercise its authority to manage its combined resources more flexibly and to transfer budgets between programme lines within its Departmental Objectives. This can be done via the DESNZ Finance Business Partner contact, but in all cases UKAEA must seek and receive DESNZ Sponsorship Team and Finance Business Partner agreement before any records and systems are formally updated.

28. Annual report and accounts

28.1. UKAEA must publish an annual report of its activities together with its audited accounts after the end of each financial year. UKAEA shall provide DESNZ its finalised audited accounts by such date as may be agreed from time to time with DESNZ. A draft of the report should be submitted to DESNZ before the proposed publication date on a timescale as agreed with DESNZ from time

to time. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the Treasury's Financial Reporting Manual (FRoM).

- 28.2. The annual report must:
- cover any corporate, subsidiary or joint ventures under its control, including UKIFS;
 - comply with the FRoM and in particular have regard to the illustrative statements for an NDPB¹⁵; and
 - outline main activities and performance during the previous financial year and set out in summary form forward plans.
- 28.3. Information on performance against key performance measures and targets should be included in the annual report. The report and accounts shall be laid in Parliament and made available on UKAEA's website, in accordance with the guidance in FRoM. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by DESNZ.

29. Reporting performance to the department

- 29.1. UKAEA shall operate – and shall ensure that UKIFS and any other subsidiary companies 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.
- 29.2. UKAEA shall inform DESNZ of any changes that make achievement of objectives more or less difficult as soon as reasonably practicable after the Board becomes aware. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies, and the achievement of key objectives on a quarterly basis including through the quarterly review meeting.
- 29.3. UKAEA's performance shall be formally reviewed by DESNZ on such timescale as DESNZ may consider to be appropriate from time to time.
- 29.4. The responsible Minister will meet the Chair once a year.
- 29.5. The PAO will meet the Chief Executive at least once a year.

UKAEA-DESNZ working level liaison arrangements

- 29.6. The Sponsorship Team in DESNZ will liaise regularly with UKAEA officials to review UKAEA's financial performance against plans, achievement against UKAEA targets and UKAEA expenditure against its DEL and AME allocations. DESNZ will also take the opportunity to explain wider policy developments that might have an impact on UKAEA.

¹⁵ <https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21>

30. Information sharing

- 30.1. The department has the right of access to all UKAEA records and personnel for any purpose including, for example, sponsorship audits and operational investigations.
- 30.2. UKAEA shall provide DESNZ with such information about its operations, performance, individual projects or other expenditure as DESNZ may reasonably require.
- 30.3. The department and HM Treasury may request the sharing of data held by UKAEA in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.
- 30.4. As a minimum, UKAEA shall provide DESNZ with information monthly, or for such other periods as may be agreed from time to time, that will enable DESNZ satisfactorily to monitor:
- UKAEA's cash management;
 - its draw-down of grant-in-aid;
 - forecast outturn by resource headings;
 - other data required for the Online System for Central Accounting and Reporting (OSCAR); and
 - data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter.

Audit

31. Internal audit

- 31.1. UKAEA shall:
- establish and maintain arrangements for internal audit;
 - ensure that any arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS) as adopted by HM Treasury, and ensure that the DESNZ internal audit service has a right of access to all documents prepared by the UKAEA internal auditor, including where the service is contracted out;
 - ensure DESNZ is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
 - set up an Audit Committee of its board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee (ARAC) Handbook;
 - ensure the DESNZ ARAC receives copies of the internal audit charter, strategy, plans and reports, including UKAEA's Head of Internal Audit annual report and opinion on risk management, control and governance as soon as possible after they are approved by UKAEA's Accounting

Officer. Having an open invite to UKAEA's ARAC will allow the DESNZ Sponsorship Team have access to these documents;

- keep records of, and prepare and forward to DESNZ, an annual report on fraud and theft suffered by UKAEA and notify DESNZ of any unusual or major incidents as soon as possible;
- will share with the sponsor department information identified during the audit process and the Annual Audit Opinion Report (together with any other outputs) at the end of the audit, in particular on issues impacting on the department's responsibilities in relation to financial systems within UKAEA; and
- assist with the provision of assurance to DESNZ's Principal Accounting Officer by ensuring the agenda and minutes of all ARAC meetings are made available to DESNZ's Group Chief Internal Auditor (GCIA). UKAEA will also extend an invitation, at its discretion, to DESNZ's GCIA to attend ARAC meetings.

32. External audit

- 32.1. The Comptroller & Auditor General (C&AG) audits UKAEA's annual accounts and DESNZ lays them before Parliament, together with their report.
- 32.2. In the event that UKAEA has set up and controls subsidiary companies, UKAEA will [in the light of the provisions in the Companies Act 2006] ensure that, where appropriate, the C&AG has the option to be appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. UKAEA shall discuss with DESNZ the procedures for appointing the C&AG as auditor of the companies.
- 32.3. The C&AG:
- will consult DESNZ and UKAEA on whom – the NAO or a commercial auditor – shall undertake the audit(s) on their 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 UKAEA;
 - will share with DESNZ 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 DESNZ's responsibilities in relation to financial systems within UKAEA; and
 - will consider requests from departments and other relevant bodies to provide regulatory compliance reports and other similar reports at the commencement of the audit. Consistent with the C&AG's independent status, the provision of such reports is entirely at the C&AG's discretion.
- 32.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which UKAEA 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, UKAEA 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

- 32.5. DESNZ has the right of access to all UKAEA records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

Reviews and winding up arrangements

33. Review of UKAEA's status

- 33.1. UKAEA will be reviewed as part of the wider Public Bodies Reviews programme, on such timescale as may be decided by DESNZ and Cabinet Office from time to time, normally once every three years. The latest full review was published in September 2015, with the last light-touch review conducted in 2023.

34. Arrangements in the event that UKAEA is wound up

- 34.1. DESNZ shall put in place arrangements to ensure the orderly winding up of UKAEA. In particular, it should ensure that the assets and liabilities of UKAEA are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities will revert to DESNZ. To this end, DESNZ shall:
- have regard to Cabinet Office guidance on winding up of ALBs¹⁶;
 - ensure that procedures are in place in UKAEA 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 UKAEA'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; and
 - 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 DESNZ inherits the role, responsibilities, assets and liabilities, DESNZ's AO should sign.
- 34.2. UKAEA shall provide DESNZ with full details of all agreements where UKAEA or its successors have a right to share in the financial gains of

¹⁶ <https://www.gov.uk/guidance/public-bodies-reform#closure-of-public-bodies>

developers. It should also pass to DESNZ details of any other forms of claw-back due to UKAEA.

- 34.3. The winding up of any subsidiaries of UKAEA, including UKIFS, by UKAEA as the sole shareholder shall require the approval of the Secretary of State. Where shares in a subsidiary have been allotted by UKAEA to additional shareholders, there shall be a provision in any agreement between UKAEA and the additional shareholders that the shareholders shall not resolve to wind up the subsidiary without the approval of the Secretary of State.

Annex A: Guidance

UKAEA shall comply with the following guidance, documents and instructions:

Corporate governance

- This framework document
- Corporate Governance Code for Central Government Departments (relevant to Arm's Length Bodies) and supporting guidance:
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>
- Code of conduct for Board members of Public Bodies:
<https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>
- Code of practice for partnerships between Departments and Arm's Length Bodies:
<https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice#:~:text=This%20code%20of%20good%20practice,partnership%20approach%20to%20shaping%20relationships.>
- Government Functional Standards:
[Functional Standards - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/functional-standards)

Financial management and reporting

- Managing Public Money (MPM):
<https://www.gov.uk/government/publications/managing-public-money>
- Government Financial Reporting Manual (FReM):
www.gov.uk/government/collections/government-financial-reporting-manual-frem
- Relevant Dear Accounting Officer (DAO) letters:
www.gov.uk/government/collections/dao-letters

- Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts: <https://www.gov.uk/government/collections/whole-of-government-accounts>
- The most recent letter setting out the delegated authorities, issued by the parent department.

Management of risk

- Management of Risk: www.gov.uk/government/publications/orange-book and <https://www.gov.uk/government/publications/management-of-risk-in-government-framework>
- Public Sector Internal Audit Standards: www.gov.uk/government/publications/public-sector-internal-audit-standards
- HM Treasury approval processes for Major Projects above delegated limits: <https://www.gov.uk/government/publications/treasury-approvals-process-for-programmes-and-projects>
- The Government cyber-security strategy and cyber security guidance: <https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022> and <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Commercial management

- Procurement Policy Notes: <https://www.gov.uk/government/collections/procurement-policy-notes>
- Cabinet Office spending controls: <https://www.gov.uk/government/collections/cabinet-office-controls>
- Transparency in supply chains - a practical guide: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040283/Transparency_in_Supply_Chains_A_Practical_Guide_2017_final.pdf

Public appointments

The following are relevant where public bodies participate in public appointments processes.

- Guidance from the Commissioner for Public Appointments: <https://publicappointmentscommissioner.independent.gov.uk/>
- Governance Code on Public Appointments: www.gov.uk/government/publications/governance-code-for-public-appointments

- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees:
<https://www.gov.uk/government/publications/procurement-policy-note-0815-tax-arrangements-of-appointees>

Staff and remuneration

- HM Treasury guidance on senior pay and reward:
www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Civil Service pay guidance (updated annually):
www.gov.uk/government/collections/civil-service-pay-guidance
- Public sector pay and terms: <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>
- Whistleblowing Guidance and Code of Practice:
<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>
- The Equalities Act 2010: www.gov.uk/guidance/equality-act-2010-guidance

General

- Freedom of Information Act guidance and instructions:
www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- The Parliamentary and Health Service Ombudsman’s Principles of Good Administration: <https://www.ombudsman.org.uk/about-us/our-principles>
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury)
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to UKAEA.
- Guidance from the Public Bodies team in Cabinet Office:
www.gov.uk/government/publications/public-bodies-information-and-guidance
- The Civil Service diversity and inclusion strategy (outlines the ambition, to which Arm’s Length Bodies can contribute):
<https://www.gov.uk/government/publications/civil-service-diversity-and-inclusion-strategy-2022-to-2025>
- Guidance produced by the Infrastructure and Projects Authority (IPA) on management of major projects:
www.gov.uk/government/organisations/infrastructure-and-projects-authority
- The Government Digital Service:
www.gov.uk/government/organisations/government-digital-service

- The Government Fraud, Error, Debt and Grant Efficiency function;
www.gov.uk/government/collections/fraud-error-debt-and-grants-function and
www.gov.uk/government/publications/grants-standards
- Code of Practice for Official Statistics:
<https://code.statisticsauthority.gov.uk/#:~:text=The%20Code%20of%20Practice%20for%20Statistics%20sets%20the,produced%20by%20people%20and%20organisations%20that%20are%20trustworthy.>
- Accounting Officer System Statements (AOSS are produced by departments with input from ALBs): www.gov.uk/government/publications/accounting-officer-system-statements

HM Treasury contacts

This document can be downloaded from www.gov.uk

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