



UK Atomic
Energy
Authority

**United Kingdom Atomic Energy Authority (UKAEA)
Framework Document**

March 2021

Signed

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Date 22 March 2021

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1 Introduction

- 1.1 This Framework Document has been drawn up by the United Kingdom Atomic Energy Authority (UKAEA, or “the Authority” in references from the relevant acts below), in consultation with the Department for Business, Energy and Industrial Strategy (BEIS). It sets out the broad framework within which UKAEA operates. The document does not convey any legal powers or responsibilities. It is signed and dated by BEIS and UKAEA.
- 1.2 The Framework Document is a critical component in defining the relationship between BEIS and UKAEA. It is subject to and complements:
- Legal and regulatory requirements, in particular the Atomic Energy Authority Act 1954.
 - [Managing Public Money](#),¹ and
 - Other instructions/rules issued to Government departments by Cabinet Office and HM Treasury.
- 1.3 Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the UKAEA website.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

2 Purpose of the UKAEA

- 2.1 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 incidental or conducive to the exercise and performance under the Act.
- 2.2 UKAEA supports the strategic aim, objectives and business plan of its sponsoring department BEIS.

3 Governance and Accountability

Powers and Duties

- 3.1 UKAEA's statutory functions, powers and duties stem from, and are detailed in, Section 2 of the 1954 Act. [The current mission and goals of UKAEA are set out below at 4.] Subject to the provisions of this Act, UKAEA's statutory functions, 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 Council² 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.
- 3.2 The Science and Technology Act 1965, section 4(1) gave the 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.
- 3.3 The Control of Pollution Act 1974, section 101, gives UKAEA powers to engage in the UK or elsewhere in such activities relating to the treatment and disposal of waste and other matter as the Secretary of State may from time to time specify by notice given to UKAEA.
- 3.4 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

² 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 Business, Energy and Industrial Strategy.

- 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.

3.5 The Energy Act 2004, section 80, 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 an "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.

4 Mission and Goals

4.1 The principal mission of UKAEA is to

“Deliver sustainable fusion energy and maximise scientific and economic impact.”

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

4.3 To implement this mission, UKAEA has set four goals:

- Goal 1: Be a world leader in fusion research and development;
- Goal 2: Enable the delivery of sustainable fusion power plants;
- Goal 3: Drive economic growth and high-tech jobs in the UK; and
- Goal 4: Create places that accelerate innovation and develop skilled people for industry to thrive.

4.4 Each year the UKAEA Board, in consultation with the UKAEA Executive and BEIS, define specific performance measures and targets relating to UKAEA’s mission and goals.

4.5 BEIS 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 BEIS’s Vision and Objectives.

4.6 BEIS 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 BEIS 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);
 - 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).
- 4.7 A separate Management Framework Agreement is in place between UKAEA and BEIS covering the management of the UKAEA Pension Schemes.
- 4.8 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 (Appendix 2). The latest reconfirmation is shown at Appendix 3. This is the basis of BEIS's financial responsibility for UKAEA's remaining nuclear liability.
- 4.9 BEIS also provide a letter of comfort relating to historic restructuring costs which is shown at Appendix 4.

5 Partnerships principles between BEIS and UKAEA

5.1 BEIS 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 Practice³. BEIS 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.

³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/594345/Partnerships_between_departments_and_arm_s_length_bodies-code_of_good_practice.pdf

The **four principles** are: **purpose** (partnerships work well when the purpose, objectives and roles are mutually understood), **assurance** (partnerships work well when departments adopt a proportionate approach to assurance and share a mutual understanding of risk), **value** (partnerships work well when departments and ALBs share skills and experience to enhance their impact and deliver more effectively), and **engagement** (partnerships work well when relationships are open, honest, constructive and based on trust).

6 Role of the Sponsorship Team and engagement between BEIS and UKAEA

- 6.1 The BEIS Fusion, Research Infrastructures and Establishments (FRIE) Team (within the International Research and Innovation Directorate) is the UKAEA policy sponsorship team (“the Sponsorship Team”) accountable for the overall responsibility between BEIS and UKAEA.
- 6.2 The Sponsorship Team will maintain a close working relationship with their counterparts in the UKAEA on both routine and policy matters.
- 6.3 The Deputy Director of the FRIE team is the primary contact for the discharge of sponsorship responsibilities for UKAEA. The Deputy Director and their team are the main source of advice to the responsible Minister and support BEIS’s PAO on their responsibilities toward UKAEA.
- 6.4 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 BEIS’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 issuing minutes of appointment on behalf of the Secretary of State; and
 - 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.
- 6.5 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 BEIS-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; [identified as the Director-General of the FRIE team];

- A Policy Sponsor – undertaking the day-to-day relationship management; [identified as the Director for International Research and Innovation in the BEIS Industrial Strategy, Science and Innovation Group];
- A Corporate Governance Sponsor – providing business partnership support to the Sponsorship team and UKAEA on governance-related issues [identified as a named individual within the Partnerships Team in BEIS.]

6.6 In addition, meetings will take place between the Secretary of State and UKAEA Leadership as required. Meetings will take place between the responsible Director-General and the Chief Executive at least every six months. Lines of engagement will also be maintained between UKAEA and their counterparts within BEIS on a regular basis.

7 Dispute Resolution

- 7.1 BEIS 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.
- 7.2 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.
- 7.3 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 BEIS initially to the relevant Director and subsequently to the Director-General for Industrial Strategy, Science and Innovation, BEIS PAO and ultimately to the Secretary of State. Within UKAEA the issue should be escalated within the organisation at working level, to the relevant Director as appropriate; and ultimately to the Chief Executive as Accounting Officer or the UKAEA Chair (as appropriate).
- 7.4 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.

8 Ministerial Responsibility

8.1 The Secretary of State for BEIS accounts for UKAEA's business in Parliament. The responsibilities of the Secretary of State are set out in the 1954, 1986, 1995 and 2004 Acts and include:

- appointing and setting the terms and conditions of the members of UKAEA;
- approving the appointment of the Chief Executive by the Board;
- 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 BEIS Director General 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.

9 BEIS's Accounting Officer's Specific Accountabilities and Responsibilities as Principal Accounting Officer (PAO)

- 9.1 The BEIS's PAO has designated the UKAEA Chief Executive as UKAEA's Accounting Officer. The respective responsibilities of the UKAEA Accounting Officer are set out separately on appointment.
- 9.2 BEIS's PAO is accountable to Parliament for the issue of any grant-in-aid to UKAEA. The PAO is also responsible for advising the responsible Minister:
- on an appropriate framework of objectives and targets for UKAEA in the light of BEIS's wider strategic aims and priorities;
 - on an appropriate budget for UKAEA in the light of BEIS's overall public expenditure priorities; and,
 - how well UKAEA is achieving its strategic objectives and whether it is delivering value for money.
- 9.3 BEIS's PAO 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 BEIS and the UKAEA objectives and activities;
 - inform UKAEA of relevant government policy in a timely manner; and,
 - bring 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 Responsibilities of the Chief Executive as UKAEA Accounting Officer

General

- 10.1 The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which they have charge; 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.

Responsibilities for accounting to Parliament

- 10.2 The accountabilities include:
- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
 - producing a Statement of Directors' and Accounting Officer's Responsibility, for inclusion in the annual report and accounts;
 - preparing and signing a Governance Statement regarding the system of internal control, for inclusion in the annual report and accounts;
 - ensuring that effective procedures for handling complaints about UKAEA are established and made widely known within UKAEA;
 - acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by BEIS, the Treasury and the Cabinet Office;
 - giving evidence, normally with the PAO of BEIS, when summoned before the Public Accounts Committee on UKAEA's stewardship of public funds;
 - ensuring that all public funding made available to UKAEA and any approved income or other receipts is used for the purpose intended by Parliament, and that such moneys, together with the NDPB's assets, equipment and staff, are used economically, efficiently and effectively;
 - ensuring that adequate internal management and financial controls are maintained by UKAEA, including effective measures against fraud and theft;
 - maintaining a comprehensive system of internal delegated authorities which is notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
 - ensuring that appropriate personnel management policies are maintained.

Responsibilities to BEIS

10.3 Particular responsibilities to BEIS include:

- establishing, in agreement with BEIS, UKAEA's corporate and business plans in the light of BEIS's wider strategic aims and agreed priorities;
- informing BEIS of progress in helping to achieve BEIS's 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 BEIS; that BEIS 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 BEIS in a timely fashion.

Responsibilities to the Board

10.4 The Chief Executive is responsible for:

- advising the Board on the discharge of UKAEA's responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on UKAEA's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.8.6 of Managing Public Money if the Board, or its chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

11 The UKAEA Board

- 11.1 The Chairman and Members (referred to as the UKAEA Board) constitute UKAEA and exercise and perform the statutory functions given to UKAEA.
- 11.2 All Board Members are appointed by the Secretary of State. They hold and vacate their office in accordance with the terms of their appointment. Section 1 of the 1954 Act as amended by section 11 of the 1995 Act requires the Secretary of State to appoint all the members of the Authority which consist of a Chairman and no less than four and no more than fifteen other Members of UKAEA.
- 11.3 The Governance Code, published by the Minister for the Cabinet Office in line with the Public Appointments Order in Council 2019, and regulated by the Commissioner for Public Appointments, must be adhered to for all public appointments.
- 11.4 BEIS provide a letter to each appointed member 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 Member of the UK Atomic Energy Authority and of their subsidiaries from time to time provided they have acted legally and in good faith.
- 11.5 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board has an Audit Committee chaired by an independent non-executive member to provide independent advice. The board is expected to assure itself of the effectiveness of the internal control and risk management systems.
- 11.6 To meet this obligation the Board has set up two additional sub-committees: the Board Assurance Committee, and People and Remuneration Committee.
- 11.7 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;
 - 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;
 - 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 BEIS, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by BEIS;

- ensuring that the Board receives and reviews regular financial information concerning the management of UKAEA; is informed in a timely manner about any concerns about the activities of UKAEA; and provides positive assurance to BEIS that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks;
- in consultation with BEIS, set performance objectives and recommend to the Secretary of State remuneration terms linked to these objectives for the Chief Executive and wider UKAEA Leadership Team which give due weight to the proper management and use and utilisation of public resources; 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.

The chairman's personal responsibilities

- 11.8 The chairman is appointed by the Secretary of State under Section 1 of the 1954 Act, normally for a period of 3 years and in line with guidance issued by the Commissioner for Public Appointments. The chairman is expected to attend, and will lead and direct, all meetings of the Board.
- 11.9 The chairman is responsible to the Secretary of State. Communications between the UKAEA Board and the Secretary of State should normally be through the chairman. The chairman is responsible for ensuring that policies and actions support the Secretary of State (and where relevant other Ministers') wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout UKAEA.
- 11.10 In addition, the chairman has the following leadership responsibilities:
- formulating the Board's strategy;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or BEIS;
 - 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.
- 11.11 The chairman also has an obligation to ensure that:
- the work of the Board and its members are reviewed and are working effectively;
 - the Board has a balance of skills appropriate to directing UKAEA's business, as set out in the Government Code of Good Practice on Corporate Governance;

- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- they, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible Minister is advised of UKAEA's needs when board vacancies arise;
- they carry out the annual assessment of the performance of the Chief Executive Officer on behalf of BEIS;
- they assess the performance of individual Board members when being considered for re-appointment;
- all Members, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities; and, when vacancies arise, shall advise the Secretary of State of the needs of UKAEA with a view to ensuring a proper balance of professional and financial expertise;
- there is a Board Operating Framework (this document) in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance; and
- there is a Code of Practice for Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies⁴. The Code commits the Chairman and other members to the Nolan seven principles of public life, and includes a requirement for a comprehensive and publicly available register of Board Members' interests.

Individual Board members' responsibilities

11.12 Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of UKAEA.

⁴ <https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>

12 Board appointments

Board appointments - the chairman and non-executive board members

- 12.1 The UKAEA chairman and non-executive Board Members are appointed normally for a period of four years by the Secretary of State. Such non-executive appointments will comply with the Code of Practice of the Office of the Commissioner on Public Appointments.

Board appointments – the Chief Executive and other executives

- 12.2 The UKAEA must appoint a person to be the Chief Executive. This appointment (including the terms and conditions of the appointment) must have the prior approval of the Secretary of State, as set out in the Act. The Secretary of State will appoint the Chief Executive to be a member of the Board.
- 12.3 At the request of the Board, the Secretary of State may appoint other serving executives to be members of the Board.

13 Composition of the Board

- 13.1 In line with the government's Code of Good Practice for Corporate Governance and the 1954 Act, the Board will consist of a chairman, together with not less than four nor more than 15 other members that have a balance of skills and experience appropriate to directing UKAEA's business.
- 13.2 The Board should include a number of independent non-executive members to ensure that executive members are supported and constructively challenged in their role.
- 13.3 The minimum quoracy for a meeting to be held is three members.

14 Accounting and Auditing Requirements

Annual Report and Accounts

- 14.1 UKAEA must publish an annual report of its activities together with its audited accounts after the end of each financial year. UKAEA shall provide BEIS its finalised audited accounts by such date as may be agreed from time to time with BEIS.
- 14.2 The annual report must:
- cover any corporate, subsidiary or joint ventures under its control;
 - comply with the Treasury's Annual Report and Accounts Guidance (part of the Government Financial Reporting Manual, FReM);
 - outline main activities and performance during the previous financial year and set out in summary form forward plans.
 - 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 FReM. A draft of the report should be submitted to BEIS before the proposed publication date on a timescale as agreed with BEIS from time to time. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by BEIS as well as the FReM.

15 Internal Audit

15.1 UKAEA shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS);
- ensure BEIS 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, or be represented on the sponsor department's ARAC;
- ensure the BEIS ARAC receives copies of the internal audit charter, strategy, plans and reports, including the organisation's Head of Internal Audit annual report and opinion on risk management, control and governance as soon as possible after they are approved by the body's Accounting Officer. Having an open invite to the body's ARAC will allow the BEIS Sponsorship Team have access to these documents;
- Assist with the provision of assurance to the sponsor department's Principal Accounting Officer by ensuring the agenda and minutes of all ARAC meetings are made available to the sponsor department's Group Chief Internal Auditor (GCIA). UKAEA will also extend an invitation, at its discretion, to the sponsor department's GCIA to attend ARAC meetings; and
- keep records of, and prepare and forward to BEIS, an annual report on fraud and theft suffered by UKAEA and notify BEIS of any unusual or major incidents as soon as possible.

15.2 BEIS's internal audit service has a right of access to all documents prepared by UKAEA internal auditor, including where the service is contracted out.

16 External Audit

- 16.1 The Comptroller & Auditor General (C&AG) audits UKAEA's annual accounts and BEIS lays them before Parliament. In the event that UKAEA has set up and controls subsidiary companies, UKAEA will ensure that, where appropriate, the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. UKAEA shall discuss with BEIS the procedures for appointing the C&AG as auditor of the companies.
- 16.2 The C&AG:
- will consult UKAEA on who – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
 - has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from UKAEA;
 - will share with BEIS 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 BEIS's responsibilities in relation to financial systems within UKAEA;
 - will, where asked, provide BEIS and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.
- 16.3 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

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

17 Management and Financial Responsibilities

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

- 17.1 Unless agreed by BEIS 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 their Sponsorship Team in BEIS in the first instance. A list of guidance and instructions with which UKAEA should comply is in Appendix 1.
- 17.2 Once the budget has been approved by BEIS, and subject to any restrictions imposed by statute, the appropriate Minister, or this document, UKAEA shall have authority to incur expenditure approved in the budget without further reference to BEIS, on the following conditions:
- UKAEA shall comply with the 'Delegation of Financial Authority' laid out in the letter sent by the relevant BEIS Director at the beginning of each financial year, and any updates during the year. These delegations shall not be altered without the prior agreement of BEIS;
 - 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 BEIS approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed. These formal approvals shall be managed in coordination with the Sponsorship Team; and
 - UKAEA shall provide BEIS with such information about its operations, performance, individual projects or other expenditure as BEIS may reasonably require.

18 Corporate and Business Plans

- 18.1 UKAEA shall submit annually to BEIS 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 BEIS from time to time. UKAEA shall agree with BEIS 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 BEIS's mission and objectives.
- 18.2 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 BEIS. 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.
- 18.3 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 BEIS) and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
 - other matters as agreed between BEIS and UKAEA.

19 Budgeting Procedures

- 19.1 Each year, in the light of decisions by BEIS on the updated draft corporate plan, BEIS 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 BEIS in the light of competing priorities across BEIS and of any forecast income approved by BEIS; and
 - a statement of any planned change in policies affecting UKAEA.
- 19.2 The approved annual business plan will take account both of approved funding provision (where this applies) and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

20 Grant-in-aid and any ring-fenced Grants

- 20.1 Any grant-in-aid provided by BEIS for the year in question will be voted in BEIS's Supply Estimate and be subject to Parliamentary control.
- 20.2 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 BEIS 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, BEIS 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.
- 20.3 In the event that BEIS 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 BEIS. UKAEA shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year, unless agreed in advance with BEIS.
- 20.4 UKAEA may 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 BEIS Finance Business Partner contact, but in all cases UKAEA must seek and received BEIS agreement before any records and systems are formally updated.

21 Reporting Performance to BEIS

21.1 UKAEA shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. UKAEA shall inform BEIS of any changes that make achievement of objectives more or less difficult. 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. UKAEA's performance shall be formally reviewed by BEIS on such timescale as BEIS may consider to be appropriate from time to time. The responsible Minister will meet the Chairman once a year.

Providing monitoring information to BEIS

21.2 As a minimum, UKAEA shall provide BEIS with information monthly, or for such other periods as may be agreed from time to time, that will enable BEIS satisfactorily to monitor:

- UKAEA's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings; and
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

UKAEA-BEIS working level liaison arrangements

21.3 The Sponsorship Team in BEIS 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. BEIS will also take the opportunity to explain wider policy developments that might have an impact on UKAEA.

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'.
- 22.2 It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on Tackling Fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.
- 22.3 The Board and the Audit and Risk Committee will review the risk management strategy. In particular, they will assess the adequacy of the internal controls operating within all key processes in relation to risk identification, assessment, response and monitoring.
- 22.4 As part of its approach to risk management and information assurance, UKAEA should meet the mandatory security outcomes described in the Cabinet Office's Security Policy Framework and, as part of this, ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be proportionate to the UKAEA's size and the level of risk it carries in terms of cyber vulnerability. A range of relevant Government advice and guidance can be found on [gov.uk](https://www.gov.uk). As a minimum, UKAEA should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the [Cyber Essentials scheme](#).

23 Delegated Authorities

23.1 UKAEA shall obtain BEIS's prior 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 BEIS;
- 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 BEIS;
- 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.

24 UKAEA Staff

Broad responsibilities for UKAEA staff

- 24.1 Within the arrangements approved by the Secretary of State and, where appropriate, the Treasury, UKAEA will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, 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 Model Code for Staff of Executive Non-departmental Public Bodies⁵.

Staff costs

- 24.2 Subject to its delegated authorities, UKAEA shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its anticipated 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. Within this UKAEA is responsible for the terms and conditions of service of and the recruitment, retention

⁵ See chapter 5 of 'Public Bodies' <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

and motivation of staff. The statutory requirements are set out in paragraph 7 of the First Schedule to the 1954 Act.

- 24.4 UKAEA shall follow the guidelines set out in the updated 2013 '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 made available to BEIS on request.
- 24.6 UKAEA shall operate a performance-related pay scheme that shall form part of the annual aggregate pay budget approved by BEIS or the general pay structure approved by BEIS and the Treasury whichever is applicable.
- 24.7 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.
- 24.8 UKAEA shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

Pensions, redundancy and compensation

- 24.9 UKAEA manages a number of pension schemes. These comprise: 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.
- 24.11 The schemes cover employees of UKAEA and, where appropriate and in accordance with the scheme rules, former employees of UKAEA.
- 24.12 UKAEA staff shall normally be eligible for a pension provided by UKAEA (the CPS). 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.
- 24.13 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 BEIS. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

25 Review of UKAEA Status

- 25.1 UKAEA will be reviewed on such timescale as may be decided by BEIS and Cabinet Office from time to time, normally once every three years. The latest review was published in September 2015.

26 Arrangements in the event that UKAEA is Wound Up

- 26.1 BEIS 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 should revert to BEIS.) To this end, BEIS shall:
- 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;
 - 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 BEIS inherits the role, responsibilities, assets and liabilities, BEIS's AO should sign.
- 26.2 UKAEA shall provide BEIS with full details of all agreements where UKAEA or its successors have a right to share in the financial gains of developers. It should also pass to BEIS details of any other forms of claw-back due to UKAEA.

Appendix 1 - List of Government-wide Corporate Guidance Instructions

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

- This Framework Document;
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice:
- <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>
- Code of Conduct for Board Members of Public Bodies:
- <https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>
- Code of Practice for Ministerial Appointments to Public Bodies:
- <http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- Guidance for Approval of Senior Pay:
<https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>
- Managing Public Money (MPM):
- <https://www.gov.uk/government/publications/managing-public-money>
- Fees and Charges Guide, Chapter 6 of Managing Public Money;
- Departmental Banking: A Manual for Government Departments, annex 5.6 of Managing Public Money;
- Public Sector Internal Audit Standards (PSIAS):
- <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Audit and Risk Assurance Committee Handbook
- <https://www.gov.uk/government/publications/audit-committee-handbook>
- Management of Risk: Principles and Concepts (Orange Book):
- <https://www.gov.uk/government/publications/orange-book>
- Government Financial Reporting Manual (FRoM):
- <https://www.gov.uk/government/publications/government-financial-reporting-manual>
- Relevant Dear Accounting Officer letters;
- Regularity, Propriety and Value for Money:
- http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration:
- <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples>
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office):

- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions and guidance issued by the sponsor Department;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to UKAEA.

Appendix 2 - Underwriting UKAEA's Nuclear Liabilities

Text of a letter sent by the Secretary of State for Energy to the Chairman of UKAEA on 20th May 1986

Now that you have begun operations on a trading fund basis, I am writing to confirm that, provided satisfactory arrangements can be agreed that the work is done efficiently, economically and to the required standards, the Government is prepared to continue to accept responsibility in principle for the costs which AEA incurs in treating and disposing of nuclear wastes and in decommissioning plant, arising from programmes carried out by the AEA and its predecessors prior to 1 April 1986.

From time to time the Government may also bring certain requirements generated by work carried out for the Department of Energy under programme letters after 1 April 1986, within the scope of this letter.

The Government is not at this stage giving undertakings in defined financial terms in relation to any particular measures for the disposal of pre-1986 wastes and decommissioning of relevant plants. Agreement to such terms will have to be reached separately as and when appropriate through the programme letter arrangements or whatever system supersedes them. Further, before it enters into any commitment to make payments, the Government will be required to be satisfied:

- that the costs will be properly attributed to programmes falling within the scope of this letter;
- that the basis of charges has been agreed in advance of the work being done;
- that proper arrangements exist for controlling and monitoring these costs.

The Government will in particular need to be satisfied that in respect of any requirement arising from work done after 1 April 1986 it is not making a contribution to costs that other AEA customers would in any case have incurred; and that such other customers accept liabilities arising from their programmes on a similar basis.

Appendix 3 – Confirmation of JET Decommissioning Cover

Text of a letter sent by the BEIS Chief Financial Officer to the UKAEA Chief Financial Officer and Director of Corporate Affairs on 30th April 2020

This is to confirm that the Department continues to support the liabilities which arise out of the Government commitment to cover the costs of decommissioning JET at the end of its operational life.

As before this is dependent on satisfactory arrangements being agreed that the work is done efficiently, economically and to required standards. On that basis the Government is prepared to continue to accept responsibility in principle for the costs incurred.

Before any specific undertakings are given, agreement to any such terms will have to be reached separately at an appropriate time and once the Government is satisfied that:

- the costs will be properly attributed to programmes falling within the scope of this letter;
- the basis of charges has been agreed in advance of the work being done;
- proper arrangements exist for controlling and monitoring these costs;
- there is no contribution to costs that other UKAEA customers would have incurred and have accepted liabilities arising from their programmes;

If needed, hypothecated funding would be provided for JET decommissioning utilising the UK Atomic Energy Authority Provision held within the BEIS Accounts.

However, it is expected that after the closure of JET the part of the Culham site on which JET is located will be designated to the Nuclear Decommissioning Authority (NDA) which is now part of the BEIS Group, and will become an NDA liability.

Appendix 4 – Letter of Comfort relating to Historic Restructuring Costs

Text of a letter sent by the BEIS Chief Financial Officer to the UKAEA Chief Financial Officer and Director of Corporate Affairs 30 th April 2020

This letter is to confirm that the Department continues to support the early retirement liabilities that arise out of a range of Government decisions relating to the ending of funded programmes, site closures and restructuring prior to privatisation of AEA Technology. These provisions are now closed and no more members of staff have been added since 2004.

These costs are currently funded as part of the Shareholder Programme Agreement. If needed, hypothecated funding would be provided for these costs, utilising the UK Atomic Energy Restructuring Provision held within the BEIS Accounts.