

Specimen framework document:

Non-ministerial department

March 2022

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Introduction and background

## Purpose of document

* 1. This framework document (the “framework document”) has been agreed between [sponsor department] and [the non-ministerial department] in accordance with HM Treasury's handbook Managing Public Money[[1]](#footnote-1) (“MPM”) (as updated from time to time) and has been approved by HM Treasury.

[Approval of the framework document should be via the sponsor department’s Corporate Governance team or Financial Governance team or equivalent first, before seeking approval from HM Treasury spending team and Treasury Officer Accounts team as set out in MPM Annex 7.2. It may be appropriate to seek advice from Cabinet Office Public Bodies Governance Team and UKGI.]

* 1. The framework document sets out the broad governance framework within which [the non-ministerial department] and the [sponsor department] operate. It sets out [the non-ministerial department’s]] core responsibilities; describes the governance and accountability framework that applies between the roles of the [sponsor department], [non-ministerial department], [other parties as relevant, e.g. other department with a policy interest]; and sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters.
  2. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.
  3. References to [the non-ministerial department] include all its subsidiaries and joint ventures that are classified to the public sector and central government for national accounts purposes. If [the non-ministerial department] establishes a subsidiary or joint venture, there shall be a document setting out the arrangements between it and [the non-ministerial department] agreed with [the sponsor department].
  4. 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 [non-ministerial department website/gov.uk.]

[It is important ensure that framework documents are both public and easily accessible so should be made available with a similar prominence to other core constitutional and financial reporting documents of the body.]

* 1. This framework document should be reviewed and updated at least every 3 years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of the sponsor department. The latest date for review and updating of this document is [x].

[In respect of review of the framework document the department should consider that the process of review and updating of framework documents can take a significant amount of time. Therefore, to ensure the deadline for updating of the document is met, best practice is that any review should be commenced at least 6 months before the date set out above.]

## Objectives

* 1. The [department] and [the non-ministerial department] share the common objective of [specific objectives]. To achieve this the [non-ministerial department] and the [sponsor department] will work together in recognition of each other's roles and areas of expertise, providing an effective environment for the [non-ministerial department] to achieve its objectives through the promotion of partnership and trust and ensuring that [the non-ministerial department] also supports the strategic aims and objective of the sponsor department and wider government as a whole.

[These objectives should be high level and represent the long-term objectives of an organisation. Departments should bear in mind that framework documents are updated only every three years so shorter-term and more detailed objectives should be detailed in business plans and strategic documents.]

## Classification

* 1. [The non-ministerial department] has been/is intended/expected to be classified as a central government organisation by the ONS/HM Treasury Classifications Team.
  2. It has been administratively classified by the Cabinet Office as a non-ministerial department.

# **Purposes, aims and duties**

## Purposes

* 1. [The non-ministerial department] has been established under the [Name] Act. Its purposes are set out in section [?] of that Act.

[To meet the new services rule (see MPM Annex 2.4) a non-ministerial department should usually be established by primary legislation. If this is not the case it may be appropriate to amend the above section and discuss with HM Treasury.]

## Powers and duties

* 1. [The non-ministerial department’s] powers and duties stem from sections [?] and [schedule?] of the [establishing legislation, include both primary and secondary legislation, as necessary].
  2. [The non-ministerial department’s] statutory duties and functions are to:
* [short summary of overarching statutory duties]

[If the body has no statutory duties delete.]

## Aims

* 1. The [non-ministerial department’s] strategic aims are to:

[Explain big picture aims]

* Aim 1
* Aim 2

[This should provide a summary of the bodies aims and explain where they are set out. This may guide the reader to statutory authority, correspondence from the responsible Minister, business plans or strategic documents.]

# 

# **Governance and accountability**

## Governance and accountability

* 1. As a non-ministerial department, [the non-ministerial department] has operational freedom in line with its statutory framework. [The non-ministerial department] is accountable to Parliament for the performance of its functions and duties.
  2. Corporate governance and accountability arrangement should draw on best practice in the public sector so far as is appropriate give non-ministerial department status.
  3. In particular (but without limitation), [non-ministerial department] should:
* comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice[[2]](#footnote-2) (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 Standards[[3]](#footnote-3) as appropriate and in particular those concerning Finance, Commercial and Counter Fraud
* take into account the codes of good practice and guidance set out in Annex A of this framework document, as they apply to non-ministerial departments
  1. In line with MPM Annex 3.1 [the non-ministerial department] 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 [the non-ministerial department] does intend to materially depart from the Code, the sponsor should be notified in advance.

[It may be appropriate to add explicit references to additional standards or guidance in the core text of the framework document where the non-ministerial department has a particular area of responsibility that is closely connected to that function. For example, it may be appropriate to draw out reference to the Project Delivery Standard if the non-ministerial department is due to deliver large number of projects or alternatively it may be appropriate to refer to the standards in the annex guidance following the framework document.]

# **Role of the department**

## The responsible Minister

* 1. The [name or office of the responsible and successor Minister] keeps Parliament informed about [the non-ministerial department’s] performance in accordance with paragraph 7.9 of MPM [and in discharging their obligations in terms of the non-ministerial department’s statutory functions].
  2. The Ministers’ statutory powers in respect of [the non-ministerial department] are set out in [insert relevant legislation].
  3. These are:

[Insert summary of powers]

[Although ministerial accountability and oversight will be rarely needed in a non-ministerial department, this section will still need to be clear what powers the responsible Minister(s) hold in respect of the non-ministerial department, and that they are ultimately accountable to Parliament for the non-ministerial department].

#### Appointments to the Board

* 1. The Chief Executive of [non-ministerial department] is appointed by the [responsible Minister/Board] under section [x of relevant legislation] in [consultation with/with the approval of] the [responsible Minister/Board]. [This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.]
  2. The Minister shall have the following appointment and approval rights in relation to the [non-ministerial department’s] Board:
  + The chairperson is appointed by the [responsible Minister] under section [x of relevant legislation]. [This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.]
  + [X] Non-executive members are appointed by the [responsible Minister] under section [X] of [relevant legislation]. [This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.]
  + [X] Non-executive members are appointed by the [Board] under section [x] of [relevant legislation]. [This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.]
  + 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.

**[This section should reflect any statutory provision governing the appointment of board members. The document should be clear about when the appointable role is subject to the Public Appointments Order in Council[[4]](#footnote-4), and the applicability of the relevant Governance Code on Public Appointments[[5]](#footnote-5). It may also be appropriate to consider if term limits on Board appointments should be agreed as long as this is consistent with any statutory provision.]**

#### Other Ministerial powers and responsibilities

* 1. The Minister is also responsible for:
  + the policy framework within which [non-ministerial department] operates
  + [list any other ministerial powers and responsibilities]

[This section should follow the statutory powers provided to the Minister concerning the non-ministerial department. There will be variation between bodies particularly around the powers of appointment and approval and the applicability of the Governance Code on Public Appointments. If uncertain about the applicability of the Code departments should consult the Public Appointments policy team within Cabinet Office. If the legislation sets out the Secretary of State as holding powers or duties in relation to the body, then it is the Secretary of State that should be referred to as the responsible Minister. It may be appropriate to also detail if the Secretary of State intends to delegate functions to a junior Minister.]

## The Accounting Officer

* 1. The Accounting Officer (AO) is the chief executive of the non-ministerial department.

#### AO’s specific accountabilities and responsibilities

* 1. The PAO of HM Treasury designates the Chief Executive as [the non-ministerial department’s] AO and ensures that they are fully aware of their responsibilities. The PAO issues a letter appointing the AO, setting out their responsibilities.
  2. The responsibilities of AO are set out in Chapter 3 of MPM.

## The role of the sponsorship team

* 1. [Named team] in the sponsor department is the primary contact for [the non-ministerial department]. The responsible senior civil servant for this relationship is [insert name or role]. They are the main source of advice to the responsible Minister on the discharge of their responsibilities in respect of [the non-ministerial department].

[It may be appropriate to set out the mechanisms for the working relationship in this section of the document or may be more appropriate to cross reference to a supporting document or annex if this will lead to excessive levels of detail for a framework document. All sponsors must strike a balance between financial oversight and allowing the sponsored body to operate independently day to day. Oversight is necessary because it is the responsible Minister that is ultimately accountable to Parliament for the use of public funds by their sponsored non-ministerial departments. The correct balance between oversight and operational freedom will vary for each body and as such sponsorship arrangements may vary. It will be helpful to refer to such guidance as the Partnerships with Arm's Length Bodies: Code of Good Practice[[6]](#footnote-6) and the Sponsorship Code of Good Practice. Where the department has a significant policy/client interest in the non-ministerial department as well as being the owner/funding sponsor, it may be appropriate to have separate teams for the two functions as provided for in the central government company template.]

## Resolution of disputes between the [non-ministerial department] and sponsor department

* 1. Any disputes between the sponsor department and [the non-ministerial department] will be resolved in as timely a manner as possible. The department and [the non-ministerial department] will seek to resolve any disputes through an informal process in the first instance. If this is not possible, then a formal process, overseen by the senior sponsor, will be used to resolve the issue. Failing this, the senior sponsor will ask the relevant policy Director General to oversee the dispute. They may then choose to ask the Permanent Secretary to nominate a non-executive member of the department’s Board to review the dispute, mediate with both sides and reach an outcome, in consultation with the Secretary of State.

[It will be important for the framework document or referenced supporting document setting out ways of working to include provisions regarding dispute mechanisms. The above text represents an example of such a mechanism. However, care should be taken that the dispute resolution mechanism does not undermine the respective roles of the Responsible Minster, Board and the respective AOs of the sponsor department and non-ministerial department.]

## Freedom of Information requests

* 1. Where a request for information is received by either party under the [Freedom of Information Act 2000](http://www.legislation.gov.uk/ukpga/2000/36/contents), or the [Data Protection Act 1998](http://www.legislation.gov.uk/ukpga/1998/29/contents) 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.

## Reporting on legal risk and litigation

* 1. [The non-ministerial department] shall provide a quarterly update to the sponsor department on the existence of any active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the shareholder in a timely manner.
  2. In respect of each substantial piece of litigation involving [the non-ministerial department], the parties will agree a litigation protocol 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 the sponsor department to facilitate this. Until such time as a protocol is agreed, the parties will ensure that:
* material developments in the litigation are communicated to the sponsor department 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
* circulation of privileged information within government occurs only as necessary

# **[The non-ministerial department] governance structure**

## The Chief Executive

#### Responsibilities of the non-ministerial department’s chief executive as accounting officer

* 1. The Chief Executive as AO 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 [the non-ministerial department]. In addition, they should ensure that [the non-ministerial department] 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 MPM. These responsibilities include the below and those that are set in the AO appointment letter issued by the PAO of the HM Treasury.

[All non-ministerial departments will be subject to MPM and require the individual with executive control of the organisation to be appointed as AO. If for some reason this is not possible or inappropriate, please consult with the Treasury Officer of Accounts.]

#### Responsibilities for accounting to Parliament and the public

* 1. 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 the non-ministerial department in accordance with [Parliamentary and Health Service Ombudsman’s Principles of Good Complaint Handling](https://www.ombudsman.org.uk/about-us/our-principles/principles-good-complaint-handling) are established and made widely known within the non-ministerial department and published [on gov.uk/Named non-ministerial department’s website]
* acting in accordance with the terms of MPM and other instructions and guidance issued from time to time by the sponsor department, the 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 body as set out in paragraph [x]
  + any elements of any settlement letter issued to the sponsor department that is relevant to the operation of [the non-ministerial department]
* ensuring they have appropriate internal mechanisms for monitoring, governance and external reporting regarding non-compliance with any conditions arising from the above documents
* giving evidence when summoned before the PAC on the non-ministerial department’s stewardship of public funds

#### Responsibilities to the board

* 1. The Chief Executive is responsible for:
* advising the Board on the discharge of their 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 [the non-ministerial department’s] performance compared with its aim[s] 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

#### Managing conflicts

* 1. 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.
  2. [The non-ministerial department’s] AO must take care that their personal AO responsibilities do not conflict with their duties as a board member. In particular, the AO should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

#### Managing conflicts – policy matters

* 1. 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.
  2. Such conflicts should be brought to the attention of the responsible Minister as soon as possible.
  3. Furthermore, and if agreed with the responsible Minister, the AO must write a letter of justification to the chair of the [Management] 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.
  4. If the responsible Minister agrees with the proposed course of action of the Board, it may be appropriate for the Minister to the direct the AO in the manner as set out in MPM paragraph 3.6.1 onwards.

#### Managing conflicts – operational matters

* 1. If the Chair or Board of [the non-ministerial department] is minded to instruct its AO to carry out a course inconsistent with their duties as AO, then the AO should make their reservations clear, preferably in writing. If the Board is still minded to proceed, [the non-ministerial department] AO should then:
  + seek the board’s written direction to carry it out, and inform HM Treasury
  + proceed to implement without delay
  + follow the routine in paragraph 3.6.6 of MPM

[It will be important to consider the statute that governs the relationship between the Minister, the Board and the AO. The above text recognises a distinction between policy and operational matters. The minister retains ultimate recourse for policy matters and therefore directs the AO. For operational matters, boards can direct the AO. But there may be variations of this arrangement and when considering this section, it will be important to have regard to the statute and consider Parliamentary intent.]

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## The Board

#### Composition of the Board

* 1. [The non-ministerial department] will have a board in line with good standards of corporate governance and as set out in in its establishing statute and in guidance as set out in Annex A. The role of the Board shall be to run the [non-ministerial department], 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)[[7]](#footnote-7).
  2. The Board will consist of a chairperson, together with the Chief Executive and [a number] of executive members that have a balance of skills and experience appropriate to directing [the non-ministerial department’s] business. For [the non-ministerial department] there should be members who have experience of [add/delete as necessary or appropriate] its business, operational delivery, corporate services such as HR, technology, property asset management, estate management, communications and performance management. 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

* 1. 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 Committee chaired by an independent and appropriately qualified non-executive member of the Board.
  2. While the Board may make use of committees to assist its consideration of appointments, succession, audit, risk and remuneration it retains responsibility for, and endorses, 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.
  3. 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.

**[This section should be drafted in line with the any statutory requirements in relation to committees. It may be appropriate to provide further detail on the nature and make up of committees or it may be appropriate to put such detail in a separate document authored by the Chair. When considering the number and makeup of board committees it will be appropriate to consider appropriate guidance such as the UK Corporate Governance Code and the Corporate Governance in Central Government Departments: Code of good practice.]**

#### Duties of the Board

* 1. The Board is specifically responsible for:
  + establishing and taking forward the strategic aims and objectives of [the non-ministerial department], consistent with its overall strategic direction and within its policy and resources framework
  + providing effective leadership of [the non-ministerial department] 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 the [non-ministerial department] to meet its objectives
  + reviewing management performance
  + ensuring that the Board receives and reviews regular financial and management information concerning the management of [the non-ministerial department]
  + ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of [the non-ministerial department] 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 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 the sponsor department, and in accordance with any other conditions relating to the use of public funds
  + ensuring that as part of the above compliance they are familiar with:

this framework document,

any delegation letter issued to body as set out in paragraph [x]

any elements of any settlement letter issued to the sponsor department that is relevant to the operation of the non-ministerial department

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 [the non-ministerial department] 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
  + [unless the establishing legislation provides for other arrangements] appointing [with the responsible Minister’s approval] a Chief Executive and, in consultation with the department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilization of public resources
  + [putting in place mechanisms for independent appraisal and annual evaluation of the performance of the chairperson by the independent non-executives, taking into account the views of relevant stakeholders. 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 [the non-ministerial department] of its objectives

**[The appraisal process for the Chair may vary between organisations and may be led by the board or the sponsor department/responsible Minister. It is important whatever the process that it is clear and that the Board and the sponsor contribute to the process.]**

* 1. The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control.
  2. 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. The Board should ensure that effective arrangements are in place to provide assurance over the design and operation of risk management, governance and internal control in line with the Management of Risk – Principles and Concepts (The Orange Book)[[8]](#footnote-8). The Board must [set up 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 are provided with routine assurances 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.

## The Chair’s role and responsibilities

* 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 statutory authority governing [the non-ministerial department], this document and the documents and guidance referred to within this document.
  2. Communications between [the non-ministerial department’s] Board and the responsible Minister should normally be through the Chair.
  3. The chair Is bound by the [Code of Conduct for Board Members of Public Bodies](https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies)[[9]](#footnote-9), which covers conduct in the role and includes the [Nolan Principles of Public Life](https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2)[[10]](#footnote-10).
  4. In addition, the Chair is responsible for:
  + ensuring including by monitoring and engaging with appropriate governance arrangements that the [non-ministerial department’s] affairs are conducted with probity
  + 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 the non-ministerial department

* 1. 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 the sponsor department
* promoting the efficient and effective use of staff and other resources
* delivering high standards of regularity and propriety
* representing the views of the board to the general public
  1. The Chair also has an obligation to ensure that:
  + the work of the Board and its 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 the [non-ministerial department’s] business, and that all directors including the Chair and Chief Executive continually update their skills, knowledge and familiarity with [the non-ministerial department] 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
  + 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 [named non-ministerial department’s] needs when board vacancies arise
  + there is a Board Operating Framework in place setting out the role and responsibilities of the board consistent with the Government Code of Good Practice for Corporate Governance
* there is a code of practice for board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies

## Individual board members’ responsibilities

* 1. Individual board members should:
  + comply at all times with the [Code of Conduct for Board Members of Public Bodies](https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies), which covers conduct in the role and includes the [Nolan Principles of Public Life](https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2) 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 appropriate[[11]](#footnote-11)
  + not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations
  + comply with the Board’s rules on the acceptance of gifts and hospitality, and of business appointments
  + act in good faith and in the best interests of [the non-ministerial department]
  + 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

# **Management and financial responsibilities and controls**

## Delegated authorities

* 1. [The non-ministerial department’s] delegated authorities are set out in the delegation letter [attached to this framework document.] This delegation letter may be updated and superseded by later versions which may be issued by HM Treasury.
  2. In line with MPM Annex 2.2 these delegations will be reviewed on an annual basis.
  3. The non-ministerial department shall HM Treasury’s prior written approval before:
  + entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the non-ministerial department’s annual budget
  + 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 HM Treasury
  + 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
  + carrying out policies that go against the principles, rules, guidance and advice in MPM

## Banking and managing cash

* 1. [The non-ministerial department] must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).
  2. [The non-ministerial department] should only hold money outside Government Banking Service accounts where a good business case can 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.
  3. Commercial accounts where approved should be operated in line with the principles as set out in MPM.
  4. The AO is responsible for ensuring non-ministerial department has a banking policy as set out in MPM and ensuring that policy is complied with.

## Procurement

* 1. [The non-ministerial department] shall ensure that its procurement policies are aligned with and comply with any relevant UK or other international procurement rules and in particular the Public Contracts Regulations 2015.
  2. [The non-ministerial department] shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.
  3. In procurement cases where [the non-ministerial department] is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the department’s sponsor team.
  4. Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional, and a quarterly report explaining those exceptions should be sent to the department.
  5. Procurement by [the non-ministerial department] 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).
  6. [The non-ministerial department] shall:
* engage fully with government wide procurement initiatives that seek to achieve VfM from collaborative projects
* comply with all relevant Procurement Policy Notes issued by Cabinet Office
* co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of VfM
  1. [The non-ministerial department] shall comply with the commercial[[12]](#footnote-12) and grants standards[[13]](#footnote-13). These standards apply to the planning, delivery, and management of government commercial activity, including management of grants in all departments and non-ministerial departments, regardless of commercial approach used and form part of a suite of functional standards that set expectations for management within government.

**[The above expectations regarding procurement represent best practice for central government entities. Departing from such expectations should only occur with the appropriate departmental and HMT consents and with the benefit of legal advice regarding applicable procurement law.]**

## Risk management

* 1. The [non-ministerial department] 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 guidance Management of Risk: Principles and Concepts[[14]](#footnote-14) .

## Counter fraud and theft

* 1. [The non-ministerial department] should adopt and implement policies and practices to safeguard itself against fraud and theft.
  2. [The non-ministerial department] 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 Managing Public Money Annex 4.9 and the Counter Fraud Functional Standard[[15]](#footnote-15). 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.
  3. [The non-ministerial department] should 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.

## Staff

#### Broad responsibilities for staff

* 1. Within the arrangements approved by the Treasury the non-ministerial department 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 against employees with protected characteristics under the Equality Act 2010
  + 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 the non-ministerial department 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 the non-ministerial department’s 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
  + [a code of conduct for staff is in place based on the Cabinet Office’s Model Code for Staff of Executive Non-departmental Public Bodies[[16]](#footnote-16).]

#### Staff costs

* 1. Subject to its delegated authorities, [the non-ministerial department] shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

#### Pay and conditions of service

* 1. [The non-ministerial department’s] staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by the Treasury. [The non-ministerial department] has no delegated power to amend these terms and conditions.
  2. If civil service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the staff and to any other party entitled to payment in respect of travel expenses or other allowances, payment shall be made in accordance with the Civil Service Management Code[[17]](#footnote-17)  and the annual Civil Service Pay Remit Guidance, except where prior approval has been given by the department to vary such rates.
  3. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.
  4. [The non-ministerial department] shall abide by public sector pay controls, including the relevant approvals process as detailed in the Senior Pay Guidance[[18]](#footnote-18) and the Public Sector Pay and Terms Guidance[[19]](#footnote-19).
  5. [The non-ministerial department] shall operate a performance-related pay scheme [that shall form part of the annual aggregate pay budget approved by HM Treasury], [general pay structure approved by HM Treasury], where relevant with due regard to the Senior Pay Guidance.
  6. The travel expenses of board members shall be tied to the rates allowed to senior staff of the non-ministerial department. Reasonable actual costs shall be reimbursed.

**[In drafting this section, the department should have regard to chapter 5 of the Cabinet Office’s *Public Bodies: A Guide for Departments[[20]](#footnote-20)* that provides guidance on staff issues in public bodies.]**

#### Pensions, redundancy and compensation

* 1. Compensation scheme rules and pension scheme rules should reflect legislative and HM Treasury guidance requirements regarding exit payments.
  2. [The non-ministerial department] staff shall normally be eligible for a pension provided by [its own scheme], [state second pension], [PCSPS], [LGPS], [other]. Staff may opt out of the occupational pension scheme provided by [the non-ministerial department], but that employers’ contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level. [Note that there is an exception for non-ministerial departments covered by the PCSPS partnership arrangement, and for PCSPS by-analogy versions].
  3. Any proposal by [the non-ministerial department] to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the department. Proposals on severance must comply with the rules in chapter 4 of MPM.

# **Financial reporting and audit**

## Annual report and accounts

* 1. The [non-ministerial department Board] must publish an annual report of its activities together with its audited accounts after the end of each financial year.  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 (FReM).
  2. The annual report must:
  + cover any corporate, subsidiary or joint ventures under its control
  + comply with the FreM
  + outline main activities and performance during the previous financial year and set out in summary form forward plans.
  1. Information on performance against key financial targets is included within the annual report and subject to the auditor’s consistency opinion. The report and accounts shall be laid in Parliament and made available on [the non-ministerial department] website, in accordance with the guidance in the FReM.

## Internal audit

* 1. [The non-ministerial department] shall:
  + establish and maintain arrangements for internal audit
  + ensure that any arrangements for internal audit are in accordance with the Public Sector Internal Audit Standards (PSIAS) as adopted by HM Treasury[[21]](#footnote-21).
  + 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 Handbook

## External audit

* 1. [The Comptroller & Auditor General (C&AG) audits [the non-ministerial department’s] annual accounts and lays them before Parliament, together with their report.
  2. In the event that [the non-ministerial department] has set up and controls subsidiary companies, [the non-ministerial department] will [in the light of the provisions in the Companies Act 2006] ensure that 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.
  3. The C&AG:
  + will consult the non-ministerial department on whom – 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 [the non-ministerial department]
  + 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
  1. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the non-ministerial department 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, [the non-ministerial department] 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.

# **Annex A: Guidance**

[The ALB] shall comply with the following guidance, documents and instructions:

**[The following is a guide and should be adapted based on the classification of the body, other applicable guidance and any agreed exemptions].**

#### 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>.

#### 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](http://www.gov.uk/government/collections/government-financial-reporting-manual-frem)
* Relevant Dear Accounting Officer (DAO) letters: [www.gov.uk/government/collections/dao-letters](http://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](http://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](http://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](http://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](http://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](http://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](http://www.gov.uk/guidance/equality-act-2010-guidance)

#### General

* Freedom of Information Act guidance and instructions: [www.legislation.gov.uk/ukpga/2000/36/contents](http://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 [the ALB].
* Guidance from the Public Bodies team in Cabinet Office: [www.gov.uk/government/publications/public-bodies-information-and-guidance](http://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](http://www.gov.uk/government/organisations/infrastructure-and-projects-authority)
* The Government Digital Service: [www.gov.uk/government/organisations/government-digital-service](http://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](http://www.gov.uk/government/collections/fraud-error-debt-and-grants-function) and [www.gov.uk/government/publications/grants-standards](http://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](http://www.gov.uk/government/publications/accounting-officer-system-statements)

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