



Department for  
Energy Security  
& Net Zero

# North Sea Transition Authority (NSTA) / Department for Energy Security and Net Zero (DESNZ) Framework Document

March 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

---

# Contents

Introduction and Background	5
1. Purpose of Document	5
2. Objectives	5
3. Classification	6
4. Definitions	6
Purposes, Aims and Duties	100
5. Purposes	100
6. Powers and Duties	14
7. Operational Parameters	14
8. Aims	15
Role of DESNZas Shareholder	16
9. The Secretary of State	166
10. Other Shareholder Reserved Matters	177
11. The Principal Accounting Officer (PAO)	188
12. The Role of the Sponsorship Team	19
13. The Role of the Shareholder Representative Director	20
14. Resolution of Disputes between the NSTA and Shareholder	21
15. Arrangements for dealing with Freedom of Information (FOI) requests, Parliamentary Questions and questions from Members of Parliament	222
NSTA Governance and Structure	233
16. Governance and Accountability	233
17. Operational Independence and SoS Rights and Consents Matters	244
18. The Chief Executive	25
19. The Board and the Chair	29
Management and Financial Responsibilities and Controls	37
20. Delegated Authorities	37
21. Spending Authority	38
22. Banking and Managing Cash	38
23. Procurement	39
24. Risk Management	40
25. Counter Fraud and Theft	40

---

26. Staff	40
Business Plans Financial Reporting and Management Information	43
27. Corporate Plan	433
28. Budgeting Procedures	444
29. Annual Levy Regulations	444
30. Grant-in-Aid and any ring-fenced grants	444
31. Annual Reports and Accounts	45
32. Reporting Performance to DESNZ	46
33. Information Sharing	477
Audit	488
34. Internal Audit	48
35. External Audit	49
Reviews and winding up arrangements	511
36. Review of the NSTA's status	51
37. Arrangements in the event that the NSTA is wound up / winding up	51
38. Transfer of Other Functions	52

# Introduction and Background

## 1. Purpose of Document

1.1. This Framework Document (the “Framework Document”) has been agreed between the Department for Energy Security and Net Zero (DESNZ) and the NSTA in accordance with HM Treasury’s handbook Managing Public Money (“MPM”) (as updated from time to time) and has been approved by HM Treasury.

1.2. The Framework Document sets out the broad governance framework within which the NSTA and DESNZ operate. It sets out the NSTA’s core responsibilities, describes the governance and accountability framework that applies between the roles of DESNZ and the NSTA and sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters.

1.3. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms, as appropriate.

1.4. The NSTA does not have any subsidiaries.

1.5. 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 NSTA website.

1.6. This Framework document should be reviewed regularly and updated at least every 3 years unless there are exceptional reasons that render this inappropriate and that have been agreed with HM Treasury and the Principal Accounting Officer of DESNZ. The date for review and updating of this document is 2025.

## 2. Objectives

2.1. DESNZ and the NSTA share the common aims of achieving the principal objective as set out in Section 9A of the Petroleum Act 1998 and working to deliver the net zero emissions target by 2050. To achieve this the NSTA and DESNZ will work together with industry, in recognition of each other’s roles and areas of expertise, to provide an effective environment for

the NSTA to achieve its objectives and deliver the NSTA Strategy, including through partnership and trust. In doing so, the NSTA will support the strategic aims and objectives of DESNZ and wider government as a whole.

### 3. Classification

3.1. The NSTA has been classified as a central government organisation by the Office for National Statistics (ONS).

3.2. The NSTA has been administratively classified by the Cabinet Office as a Non-Departmental Public Body.

### 4. Definitions

“ALB” means Arm’s Length Body. This is defined by Cabinet Office as being a central government body that has been administratively classified as to either: an Executive Agency; an NDPB; or a Non-Ministerial Government Department.

“AO” shall have the meaning given to it in Clause 18.2;

“DESNZ” means the Department for Energy Security and Net Zero;

“DESNZ Executive Committee” means DESNZ’s Executive Committee as defined in its Governance Structures Guidance;

“Board” means the Board of Directors of the NSTA;

“Budget” shall have the meaning given to it in Clause 27.1;

“C&AG” means the Comptroller & Auditor General, head of the National Audit Office;

“Carbon Capture and Storage (CCS)” means the process of capturing carbon dioxide from emissions point sources and transporting this carbon dioxide to geological storage formations for permanent sequestration;

“Central Obligation” is as set out in paragraph 2 of the NSTA Strategy;

“Chair” means the chairperson of the NSTA Board;

“Chief Executive” means the Chief Executive and Accounting Officer of the NSTA;

“Companies Act” is the Companies Act 2006;

“Consolidated Fund” means the government’s bank account;

“Consolidated Resource Accounts” means DESNZ’s consolidated accounts for all entities within its Departmental accounting boundary;

“Corporate Governance” Corporate governance is the system of rules, practices and processes by which an organisation is directed and controlled;

“Corporate Plan” shall have the meaning given to it in Clause 27.1;

"Financial year" means 01 April to 31 March;

“Flaring and Venting” as defined under s12 A of the Energy Act 1976;

“FReM” shall have the meaning “Government Financial Reporting Manual”;

“Governance Documents” means:

    this Framework Document;

    the Finance Letter between DESNZ and the NSTA and dated 22 September 2016;

    the annual Delegation Letter between DESNZ and the NSTA;

    the Accounting Officer Letter between DESNZ and the NSTA and dated 22 September 2016; and,

    the Articles of Association for the NSTA.

“Grant-in-Aid” means funding provision from a central government department to one of its Arm’s Length Bodies;

“Guiding Principle” shall have the meaning given to that term in Clause 17.4A – action;

“Industry” (as defined in Part 1A of the Petroleum Act 1998,) includes:

    holders of petroleum licences;

    operators under petroleum licences;

    owners of upstream petroleum infrastructure;

    persons planning and carrying out the commissioning of upstream petroleum infrastructure; and,

    owners of relevant offshore installations.

“MER UK” (for the purposes of this Framework Document) means securing that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters and, in doing so, taking appropriate steps to assist the Secretary of State in meeting the net zero target;

“NAO” means the National Audit Office;

“NED” means a non-executive director of the NSTA Board;

“Net Zero” is the target of achieving Net Zero Carbon Emissions by 2050 as based on the target stated under Section 1 of the Climate Change Act 2008;

“Non-Departmental Public Body (NDPB)” means a body which has a role in the processes of national government but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arm’s length from ministers. NDPBs have a range of different roles, including advising ministers or carrying out executive or regulatory functions, and they work within a strategic framework set by ministers;

“NSTA” means the North Sea Transition Authority (NSTA), it is the business name of the Oil and Gas Authority (OGA). The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA;

“NSTA Strategy” is the revised North Sea Transition Authority Strategy which came into force on 11 February 2021, and includes a requirement for industry to take appropriate steps to support the delivery of the government’s net zero target;

“OGA” means the Oil and Gas Authority, being a private company, limited by shares and wholly owned by the SoS as Corporation Sole, and established pursuant to the Companies Act 2006;

“OPRED” means the Offshore Petroleum Regulator for Environment and Decommissioning;

“PAC” means the Public Accounts Committee;

“PAO” means the Principal Accounting Officer and shall have the meaning given to it in Clause 8.1;

“Petroleum Licence” means a licence granted under –

- a) section 3 of the Petroleum Act 1998 (searching for, boring for and getting petroleum), or



b) section 2 of the Petroleum (Production) Act 1934 (licences to search for and get petroleum).

“Principal Objective” is the objective of maximising the economic recovery of UK petroleum as set out in s.9A of the Petroleum Act 1998;

“Shareholder” means the Secretary of State for DESNZ, being the sole shareholder of the NSTA;

“Shareholder Representative” means the person appointed as a director of the NSTA by the Secretary of State as their representative;

“SID” means the senior independent non-executive director of the NSTA Board;

“SoS” means the Secretary of State for DESNZ being the sole shareholder of the NSTA, or such person or persons as the Secretary of State for DESNZ may nominate to undertake actions or make decisions on their behalf including, in particular, a Minister and/or the Sponsorship Team;

“SoS Rights and Consent Matters” means the rights and matters set out in Clause 17;

“Sponsorship Team” means the DESNZ officials responsible for supporting the SoS in working with the NSTA (primarily the Policy Sponsor Team, Partner Organisation Team, Finance and Legal).

# Purposes, Aims and Duties

## 5. Purposes

5.1. The NSTA has been incorporated under the Companies Act 2006 as a company limited by shares. Its purposes are set out in its Articles of Association.

5.2. The Petroleum Act 1998 puts into statute the NSTA's Principal Objective of maximising economic recovery. The NSTA is also guided by the NSTA Strategy, which was revised in 2021 and integrates net zero across the lifecycle. The above applies to the NSTA's role offshore.

5.3. As part of its remit, the NSTA will provide advice and expertise to government, in particular DESNZ and HM Treasury, on the development of relevant policy. The NSTA and DESNZ will continue to work together to explore the NSTA's role in relevant policy areas including, for example, hydrogen regulation. The NSTA will consult the Scottish Government on any activity that might be undertaken that could affect a Crown Estate Scotland asset.

In order to fulfil its role under the NSTA Strategy, and enact its wider statutory duties, the NSTA will:

### 5.4. **Offshore**

- (A) work proactively with industry and government to action the NSTA Strategy and support the government's net zero goals;
- (B) encourage, catalyse, facilitate and support collaboration across industry on economic recovery of the UK's oil and gas resources, whilst also supporting the move to net zero carbon, including through emissions monitoring and reduction;
- (C) be a strong and effective steward and regulator of the offshore oil and gas industry;
- (D) take appropriate action if industry acts in a way that is contrary or inconsistent with the NSTA Strategy;

- (E) work proactively with industry and government to support achieving the net zero target; and,
- (F) provide advice to SoS on alternatives to abandonment of infrastructure and the delivery of cost efficient decommissioning and engagement with industry, for Industry to decommission infrastructure cost efficiently and appropriate alternatives to abandonment are considered.

#### 5.5. **Offshore and Onshore Activities**

- (A) be responsible for issuing licences and supervising the activities of licensees, as provided for under the licence;
- (B) fulfil its relevant statutory functions;
- (C) fulfil any functions which may be transferred to the NSTA after the date of this Framework Document;
- (D) adhere to the Infrastructure Act 2015 and the Energy Act 2016 and all other relevant legislation; and,
- (E) provide advice and expertise to industry and government, including on ways to achieve net zero, including through emissions monitoring and reduction.

#### 5.6. **Gas Unloading**

- (A) be responsible for issuing licences for the sub-surface storage of gas, its unloading, and supervising the activities of licensees.

#### 5.7. **Flaring and Venting**

- (A) issue consents for the flaring and venting of gas under the Energy Act 1976; and,
- (B) be a strong and effective regulator of flaring and venting and work with government and industry to reduce or, where possible, eliminate any unnecessary or wasteful

flaring and venting of gas, throughout the lifecycle of a petroleum installation and relevant facilities such as terminals.

#### 5.8. **International**

- (A) continue to support DESNZ in managing treaties which directly relate to MER as they relate to specific pipelines or fields - the SoS will execute any changes to a treaty; and,
- (B) take the lead on certain international initiatives where they relate entirely to the licensing and regulation of petroleum exploration and recovery and keep DESNZ informed through the Sponsorship Team. Where initiatives have a broader remit, which includes oil and gas, the NSTA will provide technical advice and assistance where necessary to ensure that UK interests are not detrimentally affected by any such initiatives.

#### 5.9. **Security and Resilience**

provide advice and information to DESNZ on resilience, security of supply and security matters that are relevant to the upstream oil and gas industry where compatible with confidentiality obligations. The NSTA will provide support to DESNZ in response to energy emergencies, as appropriate. DESNZ will provide the NSTA with information on wider energy resilience, including security of supply, and security matters that may have a bearing on the upstream oil and gas industry as appropriate.

#### 5.10. **Supply Chain and Decommissioning**

- (A) in support of oil and gas activity, effectively utilise the NSTA Strategy, Supply Chain Expectations, stewardship and Supply Chain Action Plans, to ensure licensees work collaboratively with supply chain companies, including to deliver best value across the whole spectrum of UKCS activity;
- (B) in support of the North Sea Transition Deal, monitor and report on the voluntary supply chain targets utilising tools such as their Supply Chain Action Plans;
- (C) in support of decommissioning, lead efforts to deliver cost certainty and cost reduction in decommissioning whilst building UK supply chain capability and capacity; and,

- (D) ensure visibility of oil, gas and net zero projects to industry through the Energy Pathfinder tool.

#### 5.11. **Carbon Capture and Storage (CCS)**

Having agreed enhanced CCS roles and responsibilities for the NSTA in relation to four areas: supporting the CCS policy framework; strategic plan for CCS implementation; identifying and implementing clusters/priority work areas; and, regulatory coordination, with a clear agreement set out regarding what the enhanced role/responsibility means, how and when it will be delivered, and by whom, to enact this and its statutory duties the NSTA will:

- (A) act as the licensing and permitting authority for carbon storage in support of industry progress and wider government objectives;
- (B) be a strong and effective steward and regulator of the CCS industry, in line with agreed work programmes and wider government objectives;
- (C) identify, assess and understand UKCS regional carbon storage opportunities in support of CCS build out and spatial planning;
- (D) encourage re-use and re-purposing of existing infrastructure where appropriate as part of the NSTA's Cessation of Production process, to support future CCS or hydrogen projects;
- (E) act as a consultee to and liaise with OPRED and operators on decommissioning plans;
- (F) drive regulatory coordination with relevant regulators and authorities, including on co-location and spatial co-ordination, and project delivery within government's transport and storage regulatory investment framework;
- (G) provide advice and expertise to government and collaborate with other regulators as appropriate in support of CCS policy and regulatory development, including technical advice in relation to CCS clusters/projects and strategic input to support the implementation of the wider policy framework; and,

(H) maintain the carbon storage public register.

## 6. Powers and Duties

6.1. The NSTA's powers and duties stem primarily from the Petroleum Act 1998 and the Energy Acts 2008, 2011 and 2016.

6.2. The NSTA's statutory duties and functions include: -

- (A) offshore, acting in accordance with the NSTA Strategy for enabling the Principal Objective to be met in relation to the offshore industry's activities;
- (B) being responsible for issuing petroleum licences and supervising the activities of licensees, as provided for under the licence;
- (C) operating within this Framework Document agreed between the NSTA and DESNZ, as appropriate;
- (D) providing advice and expertise to industry and to government;
- (E) carrying out any other function or exercise any other power as may, in the NSTA's view, assist or enable it to carry out the functions and powers referred to above or which NSTA considers incidental, desirable or expedient; and,
- (F) being responsible for issuing Carbon Storage Licences and supervising the activities of such licensees, as provided for under the licence.

## 7. Operational Parameters

7.1. NSTA will undertake its activities in accordance with the:

- (A) Energy Act 2016, Infrastructure Act 2015, Petroleum Act 1998 and all other applicable laws and regulations, including any relevant state aid approvals;
- (B) NSTA Strategy;

- (C) Governance Documents;
- (D) constraints that apply to arm's length bodies owned by government where relevant;  
and,
- (E) SoS Rights and Consent Matters as defined in Clause 17(Operational Independence and SoS Rights and Consent Matters) below.

## 8. Aims

- 8.1. The NSTA's strategic aims include those outlined in the NSTA Strategy.

# Role of DESNZ as Shareholder

## 9. The Secretary of State

9.1. The Secretary of State (SoS) is responsible for the overall policy framework within which the NSTA operates. Further, they are ultimately responsible to Parliament for the NSTA, and accordingly will account for its business in Parliament.

9.2. In practice, the SoS may decide to delegate a DESNZ Minister to act on their behalf.

9.3. The SoS' role includes:

- (A) setting the overarching policy and the legislative framework for the NSTA within which it will operate; and,
- (B) assessing and approving the Corporate Plan developed by the NSTA to give effect to SoS policy and strategic decisions, and desired outputs, that affect the long term viability and sustainability of the NSTA and the ability to deliver value for money, in light of wider DESNZ and government strategies.

9.4. The NSTA will operate as an arm's-length independent body subject only to restrictions placed upon the NSTA pursuant to:

- (A) the Governance Documents;
- (B) certain matters, as set out in Clause 17 ("SoS Rights and Consent Matters") which must be brought to the Sponsorship Team's attention in the first instance;
- (C) matters where the SoS has a power of direction, as set out in Clause 17 ("SoS Rights and Consent Matters") part 4; and,
- (D) other rights the SoS has as the sole shareholder, under the Articles of Association.

9.5. The SoS shall meet the Chair and the Chief Executive as necessary. The Chair shall have the right, if so requested by the Board, to request a meeting with the SoS.



9.6. The SoS statutory powers in respect of the NSTA are set out in the Petroleum Act 1998.

9.7. Through the exercise of these powers the SoS:

- (A) is responsible for the policy framework within which the NSTA operates;
- (B) provides direction to ensure the strategic aims and objectives of the NSTA are consistent with those of DESNZ and government;
- (C) approves the NSTA's Corporate Plan; and,
- (D) has a power of appointment in relation to the appointment of the company Chair.

## 10. Other Shareholder Reserved Matters

10.1. The SoS, as sole Shareholder, is answerable to Parliament for all matters concerning the NSTA.

10.2. In addition, the Shareholder will review and, if in agreement, give prior written approval to the following "Shareholder Reserved Matters":

- (A) Corporate Plan (as defined in clause 27.1 below) (following development and updating by the Board, the Shareholder will review and approve this on an agreed basis);
- (B) matters regarding spending approvals acquisitions, disposals, and joint ventures in line with delegations as set out in the finance letter and delegation letters; and,
- (C) such other matters as may be appropriate and proportionate.

10.3. At the reasonable request of the Shareholder, the Directors shall:

- (A) meet the Shareholder or its representatives to discuss the affairs of the NSTA; and,
- (B) provide such information in relation to the affairs of the NSTA as the Shareholder may reasonably require for the purpose of carrying out its role as Shareholder.

10.4. The Shareholder is committed to giving the Board the freedom to operate the NSTA in line with this Framework Document. Decisions on the day-to-day management of the NSTA will be taken by the Board in accordance with their statutory, regulatory, common law and fiduciary duties.

## 11. The Principal Accounting Officer (PAO)

11.1. The Principal Accounting Officer is the Permanent Secretary of DESNZ.

### **DESNZ's Accounting Officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)**

11.2. The PAO of DESNZ designates the Chief Executive as the NSTA's Accounting Officer and ensures that they are fully aware of their responsibilities. The PAO issues a letter appointing the Accounting Officer, setting out their responsibilities and delegated authorities.

11.3. The respective responsibilities of the PAO and Accounting Officer for the NSTA are set out in Chapter 3 of Managing Public Money (the industry levy is classified as public money).

11.4. The PAO is accountable to Parliament for the issue of any grant-in-aid to the NSTA.

11.5. The PAO is also responsible for advising the SoS on:

- (A) an appropriate framework of objectives and targets for the NSTA in the light of DESNZ's wider strategic aims and priorities;
- (B) an appropriate budget for the NSTA in the light of DESNZ's overall public expenditure priorities;
- (C) how well the NSTA is achieving its strategic objectives and whether it is delivering value for money; and,
- (D) the exercise of the ministers' statutory responsibilities concerning the NSTA as outlined above via the Sponsorship Team.

11.6. The PAO via the Sponsorship Team is also responsible for ensuring arrangements are in place in order to:

- (A) monitor the NSTA's activities and performance;
- (B) address significant problems in the NSTA, making such interventions as are judged necessary;
- (C) periodically carry out an assessment of the risks both to DESNZ's and the NSTA's objectives and activities in line with the wider DESNZ risk assessment process;
- (D) inform the NSTA of relevant government policy in a timely manner; and,
- (E) bring Ministerial or Departmental concerns about the activities of the NSTA to the full NSTA Board, and, as appropriate to the Departmental Board requiring explanations and assurances that appropriate action has been taken.

## 12. The Role of the Sponsorship Team

12.1. The Sponsorship Team supports both the SoS and the PAO with their responsibilities towards the NSTA, as listed above, and is the main source of advice to the SoS on the discharge of their responsibilities in respect of the NSTA and in relation to the SoS Rights and Consent Matters and exercise of shareholder rights held by the SoS.

12.2. The Sponsorship Team therefore provides an important link between the NSTA, the DESNZ Executive Committee and the SoS. The core functions and responsibilities of the Sponsorship Team are to:

- (A) monitor the performance of the NSTA;
- (B) provide assurance to the SoS / PAO that the NSTA is delivering its objectives effectively, including by providing advice on the NSTA's progress and performance;
- (C) advise the SoS in relation to the SoS Rights and Consent Matters and the exercise of any other rights held by the SoS;

- (D) ensure that the NSTA has the delegated authorities necessary for effective delivery and to continuously evolve and respond to changing dynamics;
- (E) advise the SoS / PAO on the strategic direction of the NSTA in the context of wider Departmental or cross-governmental policy objectives;
- (F) advise the Chief Executive and the NSTA Board of central policy developments that might impact upon the NSTA. Requests for additional information should be agreed in advance with the Chief Executive or Chair;
- (G) assist the Chief Executive and the NSTA Board in the handling of complex relationships across government including co-ordinating requests by HM Government for NSTA services outside of agreed MoUs, and in implementing the recommendations emerging from formal reviews that cover the NSTA;
- (H) provide Ministers with any support, briefing or information ancillary to the effective delivery of DESNZ policy by the NSTA;
- (I) advise the SoS / PAO on how to respond to performance information concerning the NSTA;
- (J) assess risks to DESNZ's objectives; and,
- (K) assist the Chief Executive in streamlining general commissions and requests from central government.

## 13. The Role of the Shareholder Representative Director

13.1. The Shareholder Representative Director is responsible for discharging the responsibilities of the Shareholder and will seek input as necessary from the Shareholder.

13.2. The Shareholder Representative Director shall:

- (A) establish and maintain appropriate and effective corporate governance foundations which govern the Shareholder, Shareholder Representative Director and the NSTA's relationship;
- (B) promote effective objectives, business planning and performance against the Corporate Plan;
- (C) promote the organisational capability of the NSTA to deliver against the Corporate Plan;
- (D) promote effective leadership (high quality Boards and senior management);
- (E) promote effective relationships between the Shareholder, Shareholder Representative Director and the NSTA; and,
- (F) support and supplement the activities outlined above by being an effective non-executive director of the NSTA Board.

13.3. Should a conflict of interest arise, whether due to the nature of the Shareholder Representative role or otherwise, guidance should be sought from Article 16 of the Articles of Association.

## 14. Resolution of Disputes between the NSTA and Shareholder

14.1. Any disputes between DESNZ and the NSTA will be resolved in as timely a manner as possible. DESNZ and the NSTA 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 relevant Senior Civil Servant, will be used to resolve the issue. Failing this, the relevant Senior Civil Servant will ask the relevant policy Director General to oversee the dispute. The relevant Senior Civil Servant may then choose to ask the Permanent Secretary to nominate a non-executive director of DESNZ's Board to review the dispute, mediate with both sides and reach an outcome, in consultation with the Secretary of State.

## 15. Arrangements for dealing with Freedom of Information (FOI) requests, Parliamentary Questions and questions from Members of Parliament

15.1. Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities, providing 24 hours' notice before submitting the response.

15.2. Unless otherwise directed by the SoS or the Sponsorship Team, the NSTA will reply directly to all relevant correspondence including FOI requests. Written Parliamentary Questions that concern day-to-day operational matters will be dealt with by the NSTA and assessed and approved by DESNZ. If a FOI request is made to the NSTA for information held by DESNZ, the NSTA will answer with a "not held" response and direct it to DESNZ. If an FOI request is made to DESNZ for information held by the NSTA, DESNZ will answer with a "not held" response and direct it to the NSTA.

15.3. The NSTA should seek guidance relating to correspondence from the Sponsorship Team when necessary.

# NSTA Governance and Structure

## 16. Governance and Accountability

16.1. The NSTA shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this Framework Document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.

16.2. In particular (but without limitation), the NSTA should:

- (A) comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (as amended and updated from time to time) to the extent appropriate to the NSTA or specify and explain any non-compliance in its annual report;
- (B) comply, with the principles and provisions of the publication, "Corporate Governance in Central government Departments: Code of Good Practice," to the extent appropriate to the NSTA;
- (C) comply with Managing Public Money;
- (D) in line with Managing Public Money, have regard to the relevant Functional Standards as appropriate and, in particular, those concerning Finance, Commercial and Counter Fraud; and,
- (E) take into account and comply with the relevant codes of good practice and guidance, as they apply to central government companies.

16.3. In line with Managing Public Money Annex 3.1, the NSTA 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 NSTA does intend to materially depart from the Code, DESNZ should be notified in advance and their agreement sought to this approach.

## 17. Operational Independence and SoS Rights and Consents Matters

17.1. Subject to Clause 9.4, the NSTA will have day-to-day operational independence from DESNZ.

17.2. It is recognised that the SoS has the power to create or amend regulations and to bring forward secondary legislation and that:

- (A) this could have an impact on the NSTA's operations; and
- (B) the NSTA may find it necessary / desirable to call upon the SoS to do so in order to undertake a number of the matters set out in Clause 5 (Purposes).

17.3. It is agreed that the SoS will take reasonable steps to:

- (A) consult the NSTA prior to making or amending regulation which could impact on the NSTA's operations; and,
- (B) consider any proposal for new primary or secondary legislation put forward by the NSTA.

17.4. The following matters require the express prior written consent of the SoS or PAO, and should be brought specifically to the Sponsorship Team's attention in the first instance:

- (A) any action which is not contemplated or permitted by relevant legislation, this Framework Document or which is contrary to the Guiding Principle;
- (B) any action which will give rise to obligations or liabilities (including contingent liabilities) which are not in the normal course of the NSTA's business;
- (C) any action which, notwithstanding the levy arrangements, will or may give rise to an additional funding requirement from DESNZ (including loans for capital expenditure) or other additional financial support being required from, or liabilities



or obligations being assumed by DESNZ(including in the form of an indemnity) will require PAO involvement and likely consent in relation to the financial liabilities;

(D) any action which is contrary to relevant policy set by the SoS; and

(E) any material deviation from (or any revised version of) the Corporate Plan if those deviations impact upon the NSTA's compliance with its statutory objectives;

17.5. The NSTA shall give the SoS such access to persons and information as the SoS determines is necessary, and as provided for in law. Further, the NSTA shall respond and act appropriately in response to:

(A) advice from the SoS regarding DESNZ objectives and relevant government and Departmental policy or plans; and

(B) recommendations from the SoS/PAO to improve the governance and risk profile of the NSTA.

17.6. As set out in section 10 of the Energy Act 2016, the Secretary of State can issue a direction to the NSTA in certain circumstances. To assist the NSTA in identifying when a direction might be necessary, the Sponsorship Team will provide the NSTA with relevant guidance when required. The NSTA should inform the Sponsorship Team as soon as reasonably possible if they identify a situation where a direction might be required. The process for issuing a direction will be agreed by the NSTA and the Sponsorship Team.

## 18. The Chief Executive

### Appointment

18.1. The Chief Executive of the NSTA is appointed by the Board under the NSTA's Articles of Association.

## Responsibilities of the NSTA's Chief Executive as Accounting Officer

18.2. The Chief Executive as Accounting Officer ("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 NSTA. In addition, they should ensure that the NSTA as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money. These responsibilities include the below and those that are set in the Accounting Officer appointment letter issued by the Principal Accounting Officer of DESNZ.

## Responsibilities for accounting to Parliament

18.3. The Chief Executive's accountabilities include:

- (A) 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;
- (B) 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;
- (C) ensuring that effective procedures for handling complaints about the NSTA are established and made widely known within the NSTA;
- (D) acting in accordance with the terms of Managing Public Money and other instructions and guidance issued from time to time by the Department, HM Treasury and the Cabinet Office;
- (E) ensuring that as part of the above compliance they are familiar with and act in accordance with:
  - (i) their fiduciary duties under the Companies Act;
  - (ii) any governing legislation;

- (iii) this Framework Document;
  - (iv) any delegation letter issued to the NSTA as set out in paragraph 20.1;
  - (v) any elements of any settlement letter issued to DESNZ that is relevant to the operation of the NSTA; and,
  - (vi) any separate settlement letter that is issued to the NSTA from DESNZ.
- (F) ensuring they have appropriate internal mechanisms for monitoring, governance and external reporting regarding compliance with conditions arising from the above documents; and,
- (G) giving evidence, normally with the PAO, when summoned before the PAC on the NSTA's stewardship of public funds.

## Responsibilities to DESNZ

18.4. Chief Executive's responsibilities to DESNZ include:

- (A) establishing, in agreement with DESNZ, the NSTA's Corporate Plan in the light of DESNZ's wider strategic aims and agreed priorities;
- (B) informing DESNZ of progress in helping to achieve DESNZ's policy objectives and in demonstrating how resources are being used to achieve those objectives; and,
- (C) ensuring that timely forecasts and monitoring information on performance and finance are provided to DESNZ; that DESNZ is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DESNZ in a timely fashion.

## Responsibilities to the Board

18.5. The Chief Executive is responsible for:

- (A) advising the Board on the discharge of the NSTA Board's responsibilities as set out in this document, the founding legislation and any other relevant instructions and guidance that may be issued from time to time;
- (B) advising the Board on the NSTA's performance compared with its aims and objectives;
- (C) 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; and,
- (D) taking action as set out in paragraph 3.8.6 of Managing Public Money if the NSTA Board or the Chair 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.

## Managing Conflicts

18.6. 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.

18.7. The Chief Executive, in their dual role as Accounting Officer, must take care that their personal legal responsibilities do not conflict with their duties as a director. In particular, the AO should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

18.8. If the Chair or Board of the NSTA is minded to instruct its Accounting Officer to carry out a course inconsistent with their duties as Accounting Officer, then the Accounting Officer should make their reservations clear, preferably in writing. If the Board is still minded to proceed, the NSTA's Accounting Officer should then:

- (A) ask the Principal Accounting Officer of DESNZ to consider intervening to resolve the difference of view, preferably in writing;

- (B) if the Board's decision stands, seek its written direction to carry it out, asking DESNZ to inform HM Treasury;
- (C) proceed to implement without delay; and,
- (D) follow the routine in paragraph 3.4.5 of Managing Public Money.

## 19. The Board and the Chair

### Composition of the Board

19.1. The NSTA will have a Board in line with good standards of Corporate Governance and as set out in its establishing statute and in the Corporate Governance Code for Central Government Departments (2017) guidance as referred to above. The role of the Board shall be to lead the NSTA, and to deliver the NSTA Strategy 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 FReM guidance.

19.2. The Board will consist of:

- (A) a Chair;
- (B) a Chief Executive;
- (C) at least one further executive director who is an appropriately qualified finance director as described in Annex 4.1 of Managing Public Money;
- (D) a majority of independent non-executive directors to ensure that executive directors are supported and constructively challenged in their role; and,
- (E) the Shareholder Representative.

19.3. The Board Directors should have a balance of skills and experience appropriate to directing the NSTA's business, including directors who have experience of the oil and gas sector, the energy transition and other energy sectors.

## Board Committees

19.4. 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 director.

19.5. 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.

19.6. Where there is disagreement between the relevant committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the committee concerned should have the right to report the issue to the Sponsorship Team, Principal Accounting Officer and Secretary of State. They may also seek to ensure the disagreement or concern is reflected as part of the report on its activities in the Annual Report and Accounts ("ARA").

19.7. 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 overburdened when deciding the chairs and membership of committees.

19.8. The NEDs, led by the SID, shall meet at least annually to undertake a suitably rigorous appraisal of the effectiveness of the Chair, taking into account the views of Directors, including the Shareholder Director.

19.9. NEDs will normally be appointed to a three-year term and may be eligible for reappointment.

19.10. The NSTA Board shall have due regard to the Corporate Governance Code's principle that the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the NSTA Board.

## Board Appointments

19.11. The Chair is appointed by the SoS under Article 23 of the Articles of Association. This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.

19.12. Non-Executive Directors are appointed by the Board on the recommendation of the Nomination Committee in line with Article 24 of the Articles of Association. The SoS will be asked to endorse these appointments. These appointments are not subject to the Public Appointments Order in Council.

19.13. In accordance with Article 23 of the Articles of Association, the SoS shall appoint a Shareholder Representative and may appoint one other non-executive director (in addition to the Chair).

19.14. 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.

## Duties of the Board

19.15. The Board is specifically responsible for:

- (A) establishing and taking forward the strategic aims and objectives of the NSTA consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- (B) providing effective leadership of the NSTA within a framework of prudent and effective controls which enables risk to be assessed and managed;
- (C) ensuring the financial and human resources are in place for the NSTA to meet its objectives;
- (D) reviewing management performance;
- (E) ensuring that the Board receives and reviews regular financial and management information concerning the management of the NSTA;

- (F) ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the NSTA 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 SoS and Principal Accounting Officer via the executive team, Sponsorship Team or directly;
- (G) ensuring that any statutory or administrative requirements for the use of public funds (the industry levy is classified as public funds) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with DESNZ, and in accordance with any other conditions relating to the use of public funds.; and that, in reaching decisions, the Board takes into account guidance issued by DESNZ;
- (H) ensuring that as part of the above compliance Directors are familiar with:
  - (i) this Framework Document,
  - (ii) any delegation letter issued to the NSTA as set out in paragraph 20.1;
  - (iii) any elements of any settlement letter issued to DESNZ that are relevant to the operation of the NSTA;
  - (iv) any separate settlement letter that is issued to the NSTA from DESNZ; and,
  - (v) the internal mechanisms for the monitoring, governance and external reporting regarding any conditions arising from the above documents (ensuring these mechanisms are appropriate) and ensuring that the Chief Executive and NSTA as a whole act in accordance with their obligations under the above documents.
- (I) 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;



- (J) appointing a Chief Executive (with the SoS endorsement) and, setting performance objectives (in consultation with DESNZ) and remuneration terms (in consultation with DESNZ and HM Treasury) linked to these objectives for the Chief Executive, which give due weight to the proper management and use and utilisation of public resources;
- (K) putting in place mechanisms for independent appraisal and annual evaluation of the performance of the Chair by the independent non-executives, taking into account the views of relevant stakeholders. The outcome of that evaluation should be made available to the SoS; and,
- (L) determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the NSTA of its Objectives.

19.16. The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control.

19.17. 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). The Board must set up an Audit and Risk Committee chaired by an independent and appropriately qualified non-executive director to provide independent advice and ensure that DESNZ's Audit and Risk 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 Roles and Responsibilities

19.18. 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 the Chair's letter of appointment, the statutory authority governing the NSTA, this document and the documents and guidance referred to within this document.

19.19. Communications between the NSTA's Board and the SoS should be through the Chair in the first instance.

19.20. The Chair is bound by the Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life.

19.21. In addition, the Chair is responsible for:

- (A) Ensuring that the NSTA's affairs are conducted with probity, including by monitoring and engaging with appropriate governance arrangements;
- (B) ensuring that policies and actions support the SoS's wider strategic policies and, where appropriate, these policies and actions should be clearly communicated and disseminated throughout the NSTA;
- (C) In addition, the Chair has the following leadership responsibilities:
  - (i) leading the Board in formulating the NSTA's strategy;
  - (ii) ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the SoS or relevant team in DESNZ;
  - (iii) promoting the efficient and effective use of staff and other resources;
  - (iv) delivering high standards of regularity and propriety; and,
  - (v) representing the views of the Board to the general public as necessary.

19.22. The Chair also has an obligation to ensure that:

- (A) the work of the Board and its directors is reviewed and that directors are working effectively, through ongoing assessment of the performance of individual directors with a formal annual evaluation and more in-depth assessments of the performance of individual directors, if being considered for re-appointment;

- (B) the Board has a balance of skills appropriate to directing the NSTA's business, and that all directors including the Chair and Chief Executive continually update their skills, knowledge and familiarity with the NSTA 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;
- (C) directors are fully briefed on terms of appointment, duties, rights and responsibilities;
- (D) they, together with the other directors, receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- (E) the SoS is advised of the NSTA's needs when Board vacancies arise;
- (F) 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; and,
- (G) there is a code of conduct for NSTA staff which applies equally to directors, and directors are expected to follow the Cabinet Office Code of Conduct for Board Members of Public Bodies.

## Individual Directors' Responsibilities

19.23. Individual directors should:

- (A) comply at all times with the Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;
- (B) demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors as appropriate and 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;

(C) comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;

(D) act in good faith and in the best interests of the NSTA; and,

(E) 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

## 20. Delegated Authorities

20.1. The NSTA's delegated authorities are set out in the annual delegation letter. This delegation letter may be updated and superseded by later versions which may be issued by DESNZ in agreement with HM Treasury.

20.2. In line with Managing Public Money Annex 2.2 these delegations will be reviewed on an annual basis.

20.3. The NSTA shall obtain DESNZ's, and where appropriate, HM Treasury's prior written approval before:

- (A) entering into any undertaking to incur any expenditure that falls outside the delegations, or which is not provided for in the NSTA's annual Budget as approved by DESNZ;
- (B) incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- (C) making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DESNZ;
- (D) 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
- (E) carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## 21. Spending Authority

21.1. Once the Budget has been approved by DESNZ, the NSTA shall have authority to incur expenditure approved in the Budget, as per the terms set out in the annual delegation letter from DESNZ to the NSTA, without further reference to DESNZ, on the following conditions:

- (A) the NSTA shall comply with the delegations set out in the delegation letter. These delegations shall not be altered without the prior agreement of DESNZ and as agreed by HM Treasury and Cabinet Office as appropriate;
- (B) the NSTA shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- (C) inclusion of any planned and approved expenditure in the Budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and,
- (D) the NSTA shall provide DESNZ with such information about its operations, performance, individual projects or other expenditure DESNZ may reasonably require of the Accounting Officer.

## 22. Banking and Managing Cash

22.1. The NSTA must maximise the use of publicly procured banking services (accounts with central government commercial banks managed centrally by Government Banking).

22.2. The NSTA should only hold money outside Government Banking Service accounts where a good business case can be made for doing so and HM Treasury consent is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.

22.3. Commercial Accounts where approved should be operated in line with the principles as set out in Managing Public Money.

22.4. The Accounting Officer is responsible for ensuring the NSTA has a Banking Policy as set out in Managing Public Money and ensuring that policy is complied with.

## 23. Procurement

23.1. The NSTA 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.

23.2. The NSTA shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.

23.3. In procurement cases where the NSTA is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from DESNZ's Sponsorship Team.

23.4. Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional, and the NSTA should prepare a quarterly report explaining those exceptions which may be sent to DESNZ, if requested.

23.5. Procurement by the NSTA of works, equipment, goods, and services shall be based on a full option appraisal and value for money (VfM).

23.6. The NSTA shall:

- (A) engage fully with DESNZ and government wide procurement initiatives that seek to achieve VfM from collaborative projects;
- (B) comply with all relevant Procurement Policy Notes issued by Cabinet Office, and,
- (C) co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of VfM.

23.7. The NSTA shall comply with the Commercial and Grants Standards. These standards apply to the planning, delivery, and management of government commercial activity, including management of grants in all departments and arm's length bodies, regardless of commercial

approach used, and form part of a suite of functional standards that set expectations for management within government.

## 24. Risk Management

24.1. The NSTA 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 HM Treasury guidance Management of Risk: Principles and Concepts.

## 25. Counter Fraud and Theft

25.1. The NSTA should adopt and implement policies and practices to safeguard itself against fraud and theft.

25.2. The NSTA should act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set out in Managing Public Money Annex 4.9 and the Counter Fraud Functional Standard. 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 which it intends to provide grant or grand-in-aid.

25.3. The NSTA should keep records of and prepare and forward to the Department an annual report on fraud and theft suffered by the NSTA and notify DESNZ of any unusual or major incidents as soon as possible. The NSTA should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in the Counter Fraud Functional Standard.

## 26. Staff

### Broad responsibilities for staff

26.1. NSTA staff are employees of the NSTA and are classified as Public Servants.



26.2. Within the arrangements approved by the SoS and HM Treasury, the NSTA will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- (A) the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement are based on merit: there is no discrimination because of the protected characteristics under the Equality Act 2010
- (B) 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;
- (C) the performance of its staff at all levels is satisfactorily appraised and the NSTA performance measurement systems are reviewed from time to time;
- (D) its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NSTA's objectives;
- (E) proper consultation with staff takes place on key issues affecting them;
- (F) adequate grievance and disciplinary procedures are in place;
- (G) whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and,
- (H) a detailed code of conduct for staff is in place.

26.3. Pay arrangements for NSTA senior appointments (including executive and non-executive Directors on the NSTA Board) will be governed in accordance with the conditions agreed with the Chief Secretary to the Treasury, Cabinet Office and DESNZ SoS.

## Staff Costs

26.4. Subject to its delegated authorities, the NSTA 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

26.5. The NSTA's staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DESNZ and HM Treasury. The NSTA has no delegated power to amend these pay related terms and conditions.

26.6. 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, shall be made in accordance with the annual Civil Service Pay Remit Guidance, except where prior approval has been given by the Department to vary such rates.

26.7. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to DESNZ together with subsequent amendments.

26.8. The NSTA shall abide by public sector pay controls, including the relevant approvals process dependent on the organisation's classification as detailed in the Cabinet Office Pay Remit Guidance, HM Treasury Guidance for Approval of Senior Pay and other relevant public sector pay and terms guidance.

26.9. The NSTA shall operate a performance-related pay scheme that is in line with approvals received from HM Treasury and shall form part of the annual aggregate pay budget approved by DESNZ, where relevant with due regard to the relevant delegated and senior pay guidance.

26.10. The travel expenses of directors shall be tied to the rates allowed to all staff of the NSTA. Reasonable actual costs shall be reimbursed.

## Pensions, Redundancy and Compensation

26.11. As outlined in the Energy Act 2016, employees of the NSTA (both civil servants who transferred from DESNZ to the NSTA and staff recruited subsequently) will have access to the Civil Service Pension Scheme (CSPS).

26.12. Redundancy and compensation payments are processed in accordance with the CSPS.

# Business Plans Financial Reporting and Management Information

## 27. Corporate Plan

27.1. The NSTA will prepare and maintain a rolling five year Corporate Plan which will be agreed with the NSTA Board and the SoS (the “Corporate Plan”). By 31 December each year the NSTA shall submit to DESNZ a Budget for the relevant year of the Corporate Plan (“Budget”). The NSTA shall agree with DESNZ the issues to be addressed in each Corporate Plan year. The Corporate Plan shall reflect the NSTA’s statutory and other duties, and, within those duties, the priorities set from time to time by the SoS (including decisions taken on policy and resources in the light of wider public expenditure decisions). The Corporate Plan shall demonstrate how the NSTA contributes to the achievement of DESNZ’s medium-term plan and priorities and aligned performance metrics and milestones.

27.2. The Budget shall provide the necessary resources to achieve key targets, milestones and objectives for the relevant year, articulated against key performance indicators. Subject to any commercial considerations, the Corporate Plan should be published by the NSTA on its website and separately be made available to staff.

27.3. The following key matters should be included in the Corporate Plan and annual Budgets:

- (A) key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- (B) key non-financial performance targets;
- (C) for the annual Budget only, the estimated rolling operational budget (including a comparator for the prior two years) and capital budget required, including a breakdown of how such funds will be recouped;
- (D) an assessment of the risk factors that may significantly affect the execution of the Corporate Plan but that cannot be accurately forecast; and,

(E) other matters as agreed between DESNZ and the NSTA.

## 28. Budgeting Procedures

28.1. Each year, in the light of decisions by DESNZ on the draft Budget, DESNZ will send to the NSTA by an agreed date:

(A) a formal statement of the annual budgetary provision allocated by DESNZ in the light of competing priorities across the Department and of any forecast income approved by DESNZ; and

(B) a statement of any planned change in policies affecting the NSTA.

28.2. The approved annual Budget will take account both of approved funding provision 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 Budget for the year in question.

## 29. Annual Levy Regulations

29.1. The annual laying of levy regulations will be managed by the Sponsorship Team and DESNZ lawyers. This includes drafting the levy regulations, seeking cross-government agreement where necessary, and securing Ministerial approval to lay the regulations. The regulations must come into force on 1 April of each year to align with the financial year.

## 30. Grant-in-Aid and any ring-fenced grants

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

30.2. The grant-in-aid will normally be paid in quarterly instalments on the basis of written applications showing evidence of need. The NSTA will comply with the general principle that there is no payment in advance of need. Grant-in-aid not drawn down by the end of the

financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed, to avoid excess cash balances at the year-end, DESNZ will make available in the next financial year any such grant-in-aid that is required to meet any liabilities, such as creditors at the year end.

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

30.4. Capital budgets will be negotiated and agreed annually in accordance with DESNZ's business planning process. It will be funded by DESNZ, via a loan arrangement with the NSTA, and will be repaid to DESNZ in subsequent years through depreciation charged in the operational cost levy.

## 31. Annual Reports and Accounts

31.1. The NSTA Board must publish an annual report of its activities together with its audited accounts after the end of each financial year. The NSTA shall provide DESNZ with its finalised (audited) accounts by the date advised in the accounts production annual timetable each year in order for the accounts to be consolidated within DESNZ's. A draft of the report should be submitted to the Department two weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes, in particular, the Companies Act 2006 and specific accounts direction issued by the Department as well as HM Treasury's Financial Reporting Manual (FRoM).

31.2. The annual report must:

- (A) cover any corporate, subsidiary, or joint ventures under the NSTA's control;
- (B) comply with the FRoM and, in particular, have regard to the illustrative statements for an NDPB; and,

- (C) outline main activities and performance during the previous financial year, and summarise forward plans.

31.3. 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 NSTA's website, in accordance with the guidance in the FReM.

31.4. If the NSTA wishes to publish a document additional to its annual report and accounts that contains supplementary material, including summary financial statements, it should comply with the requirements of sections 426 and 426A of the Companies Act 2006. The summary data must not be published in advance of the full annual report and accounts being laid before Parliament, as to do so would be a breach of Parliamentary privilege.

31.5. If, due to exceptional circumstances, there is a conflict between the requirements of the Companies Act and the FReM, the Companies Act takes precedence. If such circumstances arise, the NSTA should discuss the situation in the first instance with DESNZ and HM Treasury.

## 32. Reporting Performance to DESNZ

32.1. The NSTA 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 Plan.

32.2. The NSTA shall inform DESNZ 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 Corporate Plan objectives.

32.3. The Chief Executive presents a report on the NSTA's performance at every Board meeting for the Board's consideration. Progress against the Chief Executive's objectives is presented to the Board on a quarterly basis.

32.4. The SoS should meet with the Chair at least annually.

32.5. The Principal Accounting Officer should meet the Chief Executive at least once a year.

### 33. Information Sharing

33.1. DESNZ has the right of access to NSTA records and personnel for any purpose including, for example, sponsorship audits and operational investigations, as provided for in law.

33.2. The NSTA shall provide DESNZ with such information about its operations, performance, individual projects and other expenditure as DESNZ may reasonably require.

33.3. DESNZ and HM Treasury may request the sharing of data held by the NSTA as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.

33.4. As a minimum, the NSTA shall provide DESNZ with monthly information that will enable DESNZ satisfactorily to monitor:

- (A) the NSTA's cash management;
- (B) its draw-down of grant-in-aid;
- (C) forecast outturn by resource headings;
- (D) other data required for the Online System for Central Accounting and Reporting (OSCAR); and,
- (E) data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter.

# Audit

## 34. Internal Audit

34.1. The NSTA shall:

- (A) establish and maintain arrangements for internal audit;
- (B) ensure that any arrangements for internal audit are in accordance with the Public Sector Internal Audit Standards (PSIAS) as adopted by HM Treasury;
- (C) in the event that the NSTA has its own internal audit service, ensure DESNZ is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
- (D) set up an Audit and Risk Committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Committee Handbook, or be represented on the DESNZ' Audit Committee;
- (E) forward the audit strategy, periodic audit plans and annual audit report, including the NSTA Head of Internal Audit opinion on risk management, control and governance as soon as possible to the Audit and Risk Committee in accordance with the agreed internal audit process;
- (F) keep records of and prepare and forward to DESNZ an annual report on fraud and theft suffered by the NSTA and notify the Audit and Risk Committee of any unusual or major incidents as soon as possible; and,
- (G) share with DESNZ information identified during the audit process and the audit report (together with any other outputs), at the end of the audit, in particular, on issues impacting on DESNZ's responsibilities in relation to financial systems within the NSTA.



## 35. External Audit

35.1. The C&AG passes the audited accounts to the Secretary of State who will lay the accounts before Parliament, together with the C&AG's report.

35.2. In the event that the NSTA has set up and controls subsidiary companies, the NSTA shall ensure that the C&AG has the option to be appointed auditor of the subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The NSTA shall discuss with DESNZ the procedures for appointing the C&AG as auditor of the companies.

35.3. The C&AG:

- (A) will consult DESNZ and the NSTA on whom – the NAO or a commercial auditor – shall undertake the audit(s) on their behalf, though the final decision rests with the C&AG;
- (B) 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 NSTA;
- (C) will share with DESNZ information identified during the audit process, and the audit report (together with any other outputs), at the end of the audit, in particular, on issues impacting on DESNZ' responsibilities in relation to financial systems within the NSTA; and,
- (D) 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.

35.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the NSTA 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 NSTA 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.

# Reviews and winding up arrangements

## 36. Review of the NSTA's status

36.1. The NSTA will be reviewed in line with section 16 of the Energy Act 2016. The most recent review took place in 2022.

## 37. Arrangements in the event that the NSTA is wound up / winding up

37.1. DESNZ shall put in place arrangements to ensure the orderly winding up of the NSTA. In particular, it should ensure that the assets and liabilities of the NSTA 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 DESNZ.) To this end, DESNZ shall:

- (A) have regard to Cabinet Office guidance on the winding up of ALBs;
- (B) ensure that procedures are in place in the NSTA 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;
- (C) specify the basis for the valuation and accounting treatment of the NSTA's assets and liabilities;
- (D) ensure that arrangements are in place to prepare closing accounts and pass them to the C&AG for external audit, and that, for non-Crown bodies funds are in place to pay for such audits; it shall be for the SoS to lay the final accounts in Parliament, together with their final report on the Annual Report and Accounts; and,
- (E) arrange for the most appropriate person to sign the closing accounts. In the event that another entity takes on the role, responsibilities, assets and liabilities, the succeeding entity AO should sign the closing accounts. In the event that DESNZ inherits the role, responsibilities, assets and liabilities, the DESNZ Permanent Secretary should sign.

37.2. The NSTA shall provide DESNZ with full details of all agreements where the NSTA or its successors have a right to share in the financial gains of developers. It should also pass to DESNZ details of any other forms of claw-back due to the NSTA.

## 38. Transfer of Other Functions

38.1. If it becomes necessary or desirable for DESNZ to transfer additional functions to the NSTA, being functions not referred to in paragraph 6 of this Framework Document, the following process must be observed:

38.2. DESNZ will provide written notice to the NSTA that it wishes to transfer additional function(s) to the NSTA, together with sufficient information to enable the NSTA to understand the nature and scope of the relevant function(s).

38.3. DESNZ will provide the NSTA with any further information the NSTA requests in order for the NSTA to determine:

(A) what the function(s) will involve;

(B) whether the NSTA has sufficient resources and facilities to carry out the relevant function(s); and,

(C) the cost to the NSTA of carrying out the relevant function(s).

38.4. DESNZ and the NSTA will seek to agree the terms upon which the relevant function(s) will be transferred to the NSTA.

38.5. The NSTA may refuse to acquire additional function(s) if it does not have or is not provided with the resources / facilities / cost cover to assume the relevant function(s).

38.6. DESNZ shall not transfer function(s) to the NSTA, nor shall the NSTA acquire function(s), without the NSTA having the vires to undertake the relevant function(s).

---

This publication is available from: [www.gov.uk/government/publications/north-sea-transition-authority-nsta-framework-document](http://www.gov.uk/government/publications/north-sea-transition-authority-nsta-framework-document)

If you need a version of this document in a more accessible format, please email [alt.formats@desnz.gov.uk](mailto:alt.formats@desnz.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.