

Framework Document: Government Actuary's Department

Between HM Treasury and the Government Actuary's Department

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Introduction and Background

1. Purpose of document

- 1.1. This Framework Document (the “Framework Document”) has been agreed between HM Treasury and the Government Actuary’s Department (GAD) in accordance with HM Treasury’s handbook Managing Public Money¹ (“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 GAD and HM Treasury operate. It sets out the GAD’s core responsibilities; describes the governance and accountability framework that applies between the GAD and HM Treasury 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.
- 1.4. 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 GAD website.
- 1.5. This Framework will be reviewed every three years or sooner on the reasonable request of either party.

2. Objectives

- 2.1. HM Treasury and GAD share the common objective of delivering effective stewardship of public sector finances. In the GAD’s case this is realised through the impartial, professional analysis and advice it undertakes for public sector clients.
- 2.2. The GAD and HM Treasury will work together in recognition of each other’s roles and areas of expertise, providing an effective environment for the GAD to achieve its objectives through the promotion of partnership and trust and ensuring that the GAD also supports the strategic aims and objective of government as a whole.
- 2.3. In line with professional actuarial requirements, when providing advice GAD must ensure professional judgement is not compromised or unduly influenced. This Framework Document is therefore constructed to ensure the working relationship between HM Treasury and GAD does not create any conflicts or undue influence on the application of professional judgement in GAD’s client advice.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000670/MPM_Spring_21_with_annexes_080721.pdf

3. Classification

- 3.1. The GAD has been classified as a central government organisation by the ONS.
- 3.2. It has been administratively classified by the Cabinet Office as a Non-Ministerial Department.

Purposes Aims and Duties

4. Purposes

- 4.1. The GAD was established by Treasury Minute in June 1919 in response to the landmark 1918 report of the Machinery of Government Committee, led by Lord Haldane, which included in its report a proposal for an actuarial department.
- 4.2. In establishing the GAD, HM Treasury stated that “the Department of the Government Actuary is in a position to deal with all actuarial questions on which advice may be required from time to time by departments. Such questions should accordingly be referred in future to that Department, and in no case should outside actuaries be engaged, or consulted with a view to their employment, without prior sanction of this Board.”
- 4.3. GAD’s purpose was therefore established as providing actuarial advice to government. Its current mission statement is to improve the stewardship of public sector finances by supporting effective decision-making and robust financial reporting through actuarial analysis, modelling and advice.

5. Powers and Duties

- 5.1. The GAD provides actuarial advice to UK government departments, devolved administrations, and related bodies.
- 5.2. Most GAD roles are via appointment from clients, with a limited number of duties set out in statute. Examples of statutory roles include:
 - 5.2.1. Section 142(1) of the Social Security Administration Act 1992 (as amended) requires a report on the National Insurance Fund, from the Government Actuary, to be laid before Parliament when HM Treasury lay draft orders regarding review of the National Insurance Contribution rates
 - 5.2.2. Section 27 of the Pensions Act 2014 requires the Government Actuary to prepare a report on whether the rules regarding State Pension age mean individuals on average will spend a specified proportion of their adult life in retirement
 - 5.2.3. Schedule A1, sections 2 and 6 of the Damages Act 1996 (as amended) require the Lord Chancellor to consult the Government Actuary or establish an expert panel chaired by the Government Actuary, when reviewing the rate of return on investment of damages

6. Aims

- 6.1. The GAD’s strategic aims are set out in the GAD 2025 strategy².
- 6.2. The department provides actuarial capability for the benefit of the public sector. It aims to partner effectively with its clients to understand their business needs. This helps deliver actuarial analysis, modelling and advice

² <https://www.gov.uk/government/publications/government-actuaries-department-gad-2025-strategy>

that improves outcomes for the public and helps the government achieve its objectives.

Role of the department

7. The responsible Minister

7.1. The Financial Secretary to the Treasury (FST) will account for the GAD on all matters concerning the GAD in Parliament, including keeping Parliament informed about the Government Actuary's Department's performance in accordance with paragraph 7.9 of MPM.

7.2. In this role, the Minister's responsibilities include:

- appointment of the Government Actuary, in line with the Governance Code on Public Appointments and with agreement from HMT's Permanent Secretary and the Prime Minister;
- appointment of non-executive directors in line with the Governance Code on Public Appointments; and
- approval of the GAD's annual pay remit in line with section 6 of the Civil Service Pay Remit Guidance³.

8. The Accounting Officer

8.1. The Accounting Officer (AO) is the Government Actuary.

8.2. The PAO of HM Treasury designates the Government Actuary as the Government Actuary's 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.

8.3. The responsibilities of AO are set out in Chapter 3 of MPM.

9. The role of the Sponsorship team

9.1. Tax Administration, Spending and Reform in HM Treasury is the primary contact for the GAD. The responsible Senior Civil Servant for this relationship is the Second Permanent Secretary to the Treasury. They are the main source of advice to the responsible Minister on the discharge of his or her responsibilities in respect of the GAD.

9.2. The Spending Team for the GAD also sits within the Tax Administration and Reform team, reporting to the SRO. Officials will liaise regularly with the GAD officials in both a spending and sponsorship capacity, to review performance against plans, achievement against targets and expenditure against its DEL and AME allocations. The team will also take the opportunity to explain wider policy developments that might have an impact on the GAD.

³ [Civil Service Pay Remit Guidance 2021/22 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/612122/Civil_Service_Pay_Remmit_Guidance_2021_22.pdf)

10. Resolution of disputes between GAD and HM Treasury

- 10.1. Any disputes between HM Treasury and the GAD will be resolved in as timely a manner as possible. HM Treasury and the GAD 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 may then choose to ask the Permanent Secretary to nominate a non-executive member of the Treasury Board to review the dispute, mediate with both sides and reach an outcome.

11. Freedom of Information requests

- 11.1. 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.

12. Reporting on legal risk and litigation

- 12.1. The GAD shall provide a quarterly update to the Sponsor 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 Sponsor in a timely manner.
- 12.2. In respect of each substantial piece of litigation involving the GAD, 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 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 in an appropriate and timely manner;
 - legally privileged documents and information are clearly marked as such;
 - individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
 - circulation of privileged information within government occurs only as necessary.

GAD Governance and Structure

13. Governance and Accountability

- 13.1. As a non-ministerial department, the GAD has operational freedom subject to the statutory requirements of the Government Actuary. The GAD is accountable to Parliament for the performance of its functions and duties.
- 13.2. Corporate governance and accountability arrangement should draw on best practice in the public sector so far as is appropriate given non-ministerial department status.
- 13.3. In particular (but without limitation), the GAD should:
- comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice⁴ (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 Standards⁵ as appropriate and in particular those concerning Finance, Commercial and Counter Fraud; and
 - take into account, the codes of good practice and guidance set out in Annex A of this Framework Document, as they apply to non-ministerial departments.
- 13.4. In line with MPM Annex 3.1 the GAD 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 GAD does intend to materially depart from the Code, the Sponsor should be notified in advance and their agreement sought to this approach.

14. The Government Actuary

- 14.1. The Government Actuary is head of the GAD and of the Actuarial Profession in Government. The role combines both operational and professional leadership and includes the fulfilment of the Statutory Duties described in Section 5.

Responsibilities of the Government Actuary as Accounting Officer

- 14.2. The Principal Accounting Officer (PAO) of HM Treasury designates the Government Actuary as the GAD's Accounting Officer (AO) and ensures that he / she is fully aware of his or her responsibilities. The PAO issues a letter appointing the AO, setting out his or her responsibilities and delegated authorities.

⁴ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

⁵ <https://www.gov.uk/government/collections/functional-standards>

14.3. The Government Actuary 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 GAD. In addition, they should ensure that the GAD 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 Principal Accounting Officer of HM Treasury.

Responsibilities for accounting to Parliament and the Public

- 14.4. Responsibilities to Parliament and the public include:
- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by HM Treasury
 - 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 GAD in accordance with Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling are established and made widely known within the GAD and published on the GAD website;
 - acting in accordance with the terms of MPM and other instructions and guidance issued from time to time by HM Treasury and the Cabinet Office;
 - ensuring that as part of the above compliance they are familiar with
 - and act in accordance with:
 - this framework document;
 - any governing legislation;
 - any delegation letter issued to the GAD as set out in paragraph 18.1; and
 - any elements of any settlement letter issued to HM Treasury that is relevant to the operation of GAD.
 - ensuring they have appropriate internal mechanisms for monitoring, governance and external reporting regarding non-compliance with any conditions arising from the above documents; and
 - giving evidence, when summoned before the PAC on the GAD's stewardship of public funds.

Responsibilities to HM Treasury

- 14.5. Responsibilities to HM Treasury include:
- ensuring that timely forecasts and monitoring information on performance and finance are provided to HM Treasury;
 - ensuring that the department is notified promptly if over or under spends are likely and that corrective action is taken; and
 - ensuring that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to HM Treasury in a timely fashion.

Responsibilities to the GAD Management Board

- 14.6. The Government Actuary is responsible for:
- advising the Board on the discharge of its responsibilities as set out in this document and in any other relevant instructions and guidance that may be issued from time to time;
 - advising the Board on the GAD's performance compared with its aims and objectives; and
 - ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed.

Managing conflicts

- 14.7. While the GAD's Board is non-fiduciary, the Government Actuary should follow the advice and strategic steer of the Board, except in exceptional circumstances with a clear cut and transparent rationale for not doing so.
- The Government Actuary must take care that their 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.
- 14.8. The processes set out in the section below only relate to very exceptional circumstances where there is a conflict between the AOs responsibilities to Parliament and the views of the Board.
- 14.9. If the Board of the GAD, or its chairperson, is strongly minded to advise the Government Actuary to carry out a course of action which the Government Actuary 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 Government Actuary in their role as AO should make these reservations clear.
- 14.10. In the unlikely event that the Board is still minded to advise the Government Actuary to proceed with such action, the responsible Minister should be informed via the sponsorship team. Such conflicts should be brought to the attention of the responsible Minister as soon as possible.
- 14.11. Furthermore, and if agreed with the responsible Minister, the AO must write a letter of justification to the chair of the Board setting out the rationale for not following the advice and recommendation of the board and copy that letter to the Treasury Officer of Accounts.
- 14.12. If the responsible Minister agrees with the proposed course of action proposed by the Board, it may be appropriate for the Minister to direct the AO in the manner as set out in MPM paragraph 3.6.6.

15. The Board

Composition of the Board

- 15.1. GAD will have a board in line with good standards of corporate governance and the guidance set out in Annex A.
- 15.2. The role of the Board shall be to advise and support the AO run the GAD, 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.
- 15.3. Detailed responsibilities of the Board are 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 (FRoM).
- 15.4. The structure of the Board and the appointment of executive Board members is determined by the Government Actuary, taking account of the advice of the Board. This advice will assist the Government Actuary to ensure membership of the Board provides the skills and experience needed to oversee the GAD from time to time.
- 15.5. Membership of the Board should also 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 and reflect good standards of corporate governance.
- 15.6. Non-executive board members are appointed by the Financial Secretary to the Treasury as the responsible Minister.
- 15.7. The Board will include, as an executive and voting board member, an appropriately qualified finance director as described in Annex 4.1 of MPM.
- 15.8. Board meetings are chaired by a non-executive director specifically recruited to the role of Board Chair. The role of the non-executive Chair does not include any specific statutory duties or fiduciary duties.
- 15.9. Board members are required to complete a declaration of members' interests which may cause conflict and which is included in the GAD's annual report and accounts. Board members should declare any new such interests relating to subjects for discussion by the Board the start of each meeting.

Board Committees

- 15.10. 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.
- 15.11. 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.

- 15.12. 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.

Audit and Risk Assurance Committee

- 15.13. The Audit and Risk Assurance Committee (ARAC) comprises the three non-executive members of the Board. It supports the AO in their responsibilities for issues of risk, governance, financial controls and associated assurance.
- 15.14. The ARAC's terms of reference cover not only matters that the GAD is obliged to consider but also any other matters that the Board and the committee consider to be areas of concern from an internal control, assurance and governance perspective.
- 15.15. The ARAC looks to a number of sources of assurance throughout the year to assist it effectively to discharge its responsibilities as set out in its terms of reference. Such assurances are provided either from management representations or by third parties independent of management.

Duties of the Board

- 15.16. The Board is broadly responsible for:
- identifying, agreeing and reviewing GAD's 5-year strategy and annual business plans needed to deliver it in line with its resources framework;
 - advising on and monitoring major change programmes to ensure alignment with the GAD's strategic objectives;
 - providing effective leadership of the GAD within a framework of prudent and effective controls which enables risk to be identified, assessed and managed;
 - advising and challenging the Government Actuary on the direction and the management of the GAD, subject to any statutory responsibilities which are solely the Government Actuary's;
 - ensuring the financial and human resources are in place for the GAD to meet its objectives;
 - reviewing performance management;
 - ensuring that the Board receives and reviews regular financial and management information concerning the management of the GAD;
 - ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the GAD's 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;

- monitoring progress in implementing the agreed strategy and annual business plans, challenging performance and providing leadership where conflicts occur;
- 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;
- monitoring financial performance indicators, particularly performance against agreed control totals;
- ensuring that as part of the above compliance they are familiar with:
 - this framework document
 - any delegation letter issued to the GAD as set out in paragraph 18.1
 - any elements of any settlement letter issued to HM Treasury that is relevant to the operation of the GAD
 - 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 Government Actuary and the GAD 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;
- 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; and
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the GAD of its objectives.

15.17. While the ultimate responsibility for corporate decision-making remains with the Government Actuary, it is expected that it will be exceptional for the Board not to reach agreement on a consensus basis. The Board is not responsible for the development, content or presentation of professional advice.

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

15.19. 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)⁶. 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. The Board should 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.

16. The Chair's role and responsibilities

- 16.1. The Chair is responsible for leading the Board, specifically planning and conducting Board meetings effectively and ensuring a high standard of discussion, facilitating collective decision-making and getting all Board members involved in the Board's work, engaging the Board in assessing and improving its performance, and acting, where appropriate, as an ambassador for the GAD outside of the Department. Such responsibility should be exercised in the light of their duties and responsibilities as set out in their appointment letter, this document and the documents and guidance referred to within this document.
- 16.2. Communications between the GAD's Board and the responsible Minister should normally be through the Chair.
- 16.3. The Chair is bound by the Code of Conduct for Board Members of Public Bodies⁷, which covers conduct in the role and includes the Nolan Principles of Public Life⁸.
- 16.4. In addition, the Chair is responsible for:
- ensuring that the GAD's affairs are conducted with probity, through monitoring and engaging with appropriate governance arrangements; and
 - where appropriate appoint sub-committee chairs and members subject to Board approval. Work with committee chairs to align the work of the committee with the vision and goals of the department, including reporting back recommendations.
- 16.5. The Chair has the following leadership responsibilities:
- take the lead on setting and reviewing the Board's objectives and strategy;

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

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

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

- ensuring that the Board, in reaching operational decisions, takes proper account of guidance provided by the responsible Minister or sponsor department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

16.6. The Chair also has an obligation to:

- agree a forward plan for agendas, establish agendas for Board meetings in collaboration with the Government Actuary ensuring that accurate, timely and clear information is provided to the Board to allow it to discharge its responsibilities and that all critical issues are included. Agree draft meeting minutes;
- develop a positive, collaborative relationship, including acting as a sounding board for emerging issues and alternative courses of action. Stay up to date with the GAD and determine when an issue needs to be brought to the attention of the full Board or a committee;
- arrange and chair regular meetings of non-executive Board members as necessary;
- lead Board meetings in a manner that encourages participation and information sharing from all members whilst moving the Board towards timely closure and prudent decision-making;
- lead the annual assessment of the Board's effectiveness and appraise annually the performance of the other non-executive Board members, including more in-depth assessments of the performance of individual board members when being considered for re-appointment;

And to ensure that:

- in conducting assessments that the view of relevant stakeholders including employees and the sponsorship team are sought and considered. More widely optimise all opportunities to gain a full appreciation of the views of all the stakeholders and act as an ambassador, particularly in the wider government and non-executive networks;
- the Board has a balance of skills appropriate to directing the GAD's business, and that all directors including the Chair and the Government Actuary continually update their skills, knowledge and familiarity with the GAD 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 the GAD'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; and
- there is a code of practice for board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

17. Individual board members' responsibilities

17.1. Individual board members should:

- 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;
- demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors as appropriate⁹;
- provide an external perspective on the strategic direction of the GAD's work;
- 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 GAD;
- 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;
- apply oversight and constructive challenge to the executive team in managing the GAD and delivery of objectives; and
- undertake occasional specific tasks such as assisting with the recruitment of senior management and providing support to senior management.

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

Management and financial responsibilities and controls

18. Delegated authorities

- 18.1. The GAD's delegated authorities are set out in the delegation letter. This delegation letter may be updated and superseded by later versions which may be issued by HM Treasury.
- 18.2. In line with MPM Annex 2.2 these delegations will be reviewed on an annual basis.
- 18.3. The GAD shall require 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 GAD's annual budget as approved by HM Treasury;
 - 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; or
 - carrying out policies that go against the principles, rules, guidance and advice in MPM.

19. Spending authority

- 19.1. The GAD is predominantly self-funded with regards to Resource DEL (RDEL), although it may request additional cover from the Reserve in exceptional circumstances. The GAD's fee-earning model adheres to the following processes:
 - Fee rates are reviewed annually as part of the GAD business planning process. They are set to achieve a breakeven budget based on a best estimate of the client work to be undertaken during the year, the composition of the fee-earning capacity and anticipated support costs.
 - Progress against the budget is reviewed monthly by the executive and the board, together with financial controls and business KPIs.
 - Invoicing occurs on a monthly basis and outstanding amounts are followed up by the finance team with support from client leads if necessary. Client leads are provided with a monthly update on any outstanding debt for their clients.
 - Periodic reforecasts are conducted during the year to inform workforce planning, resource allocation and discretionary spending adjustments.
- 19.2. In addition to any exceptional RDEL cover, the GAD also receives an annual Capital DEL (CDEL) budget which is agreed through the HM Treasury

Spending Review process, with any subsequent budgetary change requests considered through in-year Main and Supplementary estimates.

- 19.3. Once the budget has been approved by HM Treasury, the GAD shall have authority to incur expenditure approved in the budget without further reference to HM Treasury, on the following conditions:
- the GAD shall comply with the delegations set out in the delegation letter. These delegations shall not be altered without the prior agreement of HM Treasury and Cabinet Office as appropriate;
 - the GAD shall comply with all spending guidance, including, but not limited to, Managing Public Money, with particular regard to novel, contentious or repercussive proposals, the Estimates manual and Consolidated Budgeting Guidance.
 - 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;
 - the GAD shall provide HM Treasury with such information about its operations, performance, individual projects or other expenditure as the sponsor department may reasonably require.

20. Banking and Managing Cash

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

21. Procurement

- 21.1. The GAD 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.
- 21.2. The GAD shall establish its procurement policies and document these in a Procurement Policy and Procedures Manual.
- 21.3. In procurement cases where the GAD is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the HM Treasury sponsor team.
- 21.4. 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.

- 21.5. Procurement by the GAD of works, equipment, goods, and services shall be based on, a full option appraisal and value for money (VfM), i.e. the optimum combination and whole life costs and quality (fitness for purpose).
- 21.6. The GAD shall a) engage fully with Department 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.
- 21.7. The GAD shall comply with the Commercial¹⁰ and Grants Standards¹¹. 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.

22. Risk management

- 22.1. The GAD 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. The GAD shall continuously review and improve a risk management strategy, in accordance with HM Treasury Orange Book guidance Management of Risk: Principles and Concepts¹². The GAD should incorporate partnership, mutual understanding and proportionality to risk reporting arrangements.

23. Counter Fraud and Theft

- 23.1. The GAD should adopt and implement policies and practices to safeguard itself against fraud and theft.
- 23.2. The GAD should act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set in in MPM Annex 4.9 and the Counter Fraud Functional Standard¹³. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.
- 23.3. The GAD should keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the GAD and notify the sponsor department of any unusual or major incidents as soon as possible. The GAD should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses,

¹⁰ <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

¹¹ <https://www.gov.uk/government/publications/grants-standards>

¹² <https://www.gov.uk/government/publications/orange-book>

¹³ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

to the counter fraud centre of expertise in line with the agreed government definitions as set out in the Counter Fraud Functional Standard.

24. Staff

Broad responsibilities for staff

- 24.1. Within the arrangements approved by the Minister for the Civil Service, the GAD will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
 - the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
 - the performance of its staff at all levels is satisfactorily appraised and the GAD 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 GAD'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; and
 - a code of conduct for staff is in place based on the Civil Service Code.

Staff costs

- 24.2. Subject to its delegated authorities, the GAD 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

- 24.3. The GAD shall have regard to the Cabinet Office's 'Public Bodies: A Guide for Departments' that provides guidance on staff issues in public bodies. The GAD's staff are subject to levels of remuneration (including pensions) within the general pay structure approved by Cabinet Office. The GAD has no delegated power to amend these terms and conditions.
- 24.4. It is recognised that the GAD's role as sole supplier within the Civil Service of actuarial analysis and advice requires the recruitment and retention of skills and experience not found elsewhere in the Civil Service and which may, from time to time, be in high demand outside of the Civil Service.

- 24.5. 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 and payment shall be made in accordance with the Civil Service Management Code¹⁴ and the annual Civil Service Pay Remit Guidance, except where prior approval has been given by HM Treasury to vary such rates.
- 24.6. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.
- 24.7. The GAD shall abide by public sector pay controls, including the relevant approvals process dependent on the organisations classification as detailed in the Senior Pay Guidance ¹⁵, public sector pay and terms guidance¹⁶ and the civil service pay remit guidance¹⁷.
- 24.8. The GAD shall operate a performance-related pay scheme that shall form part of the annual aggregate pay budget approved by HM Treasury or the general pay structure approved by HM Treasury whichever is applicable, where relevant with due regard to the senior pay guidance.
- 24.9. The travel expenses of Board members shall be tied to the rates allowed to senior staff of the GAD. Reasonable actual costs shall be reimbursed.

Pensions, redundancy and compensation

- 24.10. Compensation scheme rules and pension scheme rules should reflect legislative and HM Treasury guidance requirements regarding exit payments.
- 24.11. The GAD's staff shall normally be eligible for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by the GAD, but with the exception of the PCSPS partnership arrangement, employers' contributions to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.
- 24.12. Any proposal by the GAD to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of HM Treasury. Proposals on severance must comply with the rules in chapter 4 of MPM.

¹⁴ <https://www.gov.uk/government/publications/civil-servants-terms-and-conditions>

¹⁵ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

¹⁶ <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

¹⁷ [Civil Service Pay Remit Guidance 2021/22 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-2021-22)

Financial Reporting and Audit

25. Annual report and accounts

- 25.1. The GAD's 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).
- 25.2. The annual report must:
- cover any corporate, subsidiary or joint ventures under its control;
 - comply with the FReM; and
 - outline main activities and performance during the previous financial year and set out in summary form forward plans.
- 25.3. 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 GAD's website, in accordance with the guidance in the FReM.

26. Internal audit

- 26.1. The GAD shall:
- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS);
 - set up an audit committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
 - keep records of and prepare and forward to HM Treasury an annual report on fraud and theft suffered by the GAD and notify HM Treasury of any unusual or major incidents as soon as possible; and
 - share with HM Treasury information identified during the audit process and the Annual Audit Opinion Report (together with any other outputs) at the end of the audit, in particular on issues impacting on the HM Treasury's responsibilities in relation to financial systems within the GAD.

27. External audit

- 27.1. The Comptroller & Auditor General (C&AG) audits the GAD's annual accounts and lays them before Parliament, together with his/her report.
- 27.2. The C&AG:
- will consult HM Treasury and the GAD 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 GAD;

- will share with HM Treasury 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 HM Treasury's responsibilities in relation to financial systems within the GAD; and
- will consider requests from departments and other relevant bodies to provide Regulatory Compliance Reports and other similar reports at the commencement of the audit. Consistent with the C&AG's independent status, the provision of such reports is entirely at the C&AG's discretion.

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

28. Reviews

28.1. The GAD shall be reviewed as appropriate, in accordance with Cabinet Office guidance.

Annex A: Guidance

The GAD shall comply with the following guidance, documents and instructions:

Corporate governance

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

Financial management and reporting

- Managing Public Money (MPM):
<https://www.gov.uk/government/publications/managing-public-money>
- Government Financial Reporting Manual (FReM):
www.gov.uk/government/collections/government-financial-reporting-manual-frem
- Relevant Dear Accounting Officer (DAO) letters:
www.gov.uk/government/collections/dao-letters
- Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts: <https://www.gov.uk/government/collections/whole-of-government-accounts>
- The most recent letter setting out the delegated authorities, issued by the parent department.

Management of risk

- Management of Risk: www.gov.uk/government/publications/orange-book and <https://www.gov.uk/government/publications/management-of-risk-in-government-framework>
- Public Sector Internal Audit Standards:
www.gov.uk/government/publications/public-sector-internal-audit-standards

- HM Treasury approval processes for Major Projects above delegated limits:
<https://www.gov.uk/government/publications/treasury-approvals-process-for-programmes-and-projects>
- The Government cyber-security strategy and cyber security guidance:
<https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022> and
<https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Commercial management

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

Public appointments

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

- Guidance from the Commissioner for Public Appointments:
<https://publicappointmentscommissioner.independent.gov.uk/>
- Governance Code on Public Appointments:
www.gov.uk/government/publications/governance-code-for-public-appointments
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees:
<https://www.gov.uk/government/publications/procurement-policy-note-0815-tax-arrangements-of-appointees>

Staff and remuneration

- HM Treasury guidance on senior pay and reward:
www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Civil Service pay guidance (updated annually):
www.gov.uk/government/collections/civil-service-pay-guidance
- Public sector pay and terms:
<https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

- Whistleblowing Guidance and Code of Practice:
<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>
- The Equalities Act 2010: www.gov.uk/guidance/equality-act-2010-guidance

General

- Freedom of Information Act guidance and instructions:
www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- The Parliamentary and Health Service Ombudsman’s Principles of Good Administration: <https://www.ombudsman.org.uk/about-us/our-principles>
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury)
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the GAD
- Guidance from the Public Bodies team in Cabinet Office:
www.gov.uk/government/publications/public-bodies-information-and-guidance
- The Civil Service diversity and inclusion strategy (outlines the ambition, to which Arm’s Length Bodies can contribute):
<https://www.gov.uk/government/publications/civil-service-diversity-and-inclusion-strategy-2022-to-2025>
- Guidance produced by the Infrastructure and Projects Authority (IPA) on management of major projects:
www.gov.uk/government/organisations/infrastructure-and-projects-authority
- The Government Digital Service:
www.gov.uk/government/organisations/government-digital-service
- The Government Fraud, Error, Debt and Grant Efficiency function;
www.gov.uk/government/collections/fraud-error-debt-and-grants-function and
www.gov.uk/government/publications/grants-standards
- Code of Practice for Official Statistics:
<https://code.statisticsauthority.gov.uk/#:~:text=The%20Code%20of%20Practice%20for%20Statistics%20sets%20the,produced%20by%20people%20and%20organisations%20that%20are%20trustworthy.>
- Accounting Officer System Statements (AOSS are produced by departments with input from ALBs): www.gov.uk/government/publications/accounting-officer-system-statements

HM Treasury contacts

This document can be downloaded from www.gov.uk

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