

BRB (Residuary) Ltd

FINANCIAL FRAMEWORK

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INTRODUCTION

The Company

- 1) BRB (Residuary) Limited is a company limited by shares wholly owned by the Department for Transport. The company manages the majority of the remaining property, rights and liabilities of the British Railways Board. Those responsibilities include the maintenance of a burdensome estate, the management of a number of onerous leases and the settlement of industrial injury claims submitted by former British Railways employees. By virtue of a Transfer Scheme made under the Railways Act 2005 dated 30 March 2005, BRBR has also taken ownership of a number of companies and assets previously owned by the Strategic Rail Authority. As such, BRBR is responsible for managing these companies and assets. The costs of these activities are funded through a combination of income earned on other activities and Departmental subsidy.

Terminology

- 2) In this Financial Framework, unless otherwise stated:
 - a) "the Board" means the Directors;
 - b) "BRBR" means BRB (Residuary) Ltd;
 - c) "the C&AG" means the Comptroller and Auditor General;
 - d) "the Government" is the UK Government;
 - e) "JVs" means any joint ventures to which BRBR is a party where expenditure scores against the Public Sector Borrowing Requirement.
 - f) "Parliament" is the UK Parliament;
 - g) "payment periods" means the 13 railway industry payment periods;
 - h) "PSBR" means the Public Sector Borrowing Requirement;
 - i) "public funds" means funds granted to BRBR by Parliament, or borrowed with the consent of the Secretary of State, and any other funds generated by approved activities or falling within the stewardship of BRBR;
 - j) "Railway Land" means property, rights and liabilities inherited from British Rail or BRB (Residuary) Ltd;
 - k) "The Secretary of State" is the Secretary of State for Transport.

Status of this Financial Framework

- 3) This Financial Framework sets out:
 - a) rules and guidelines relevant to the exercise, planning and reporting of BRBR's functions, statutory duties and powers;
 - b) certain of the conditions under which public funds are paid to BRBR and how it is to be held to account for its performance and use of public funds;
 - c) the general principles under which the Department will lend to BRBR, or give consent to borrowing by BRBR from others;
 - d) accounting and auditing procedures; and
 - e) an exposition of the relationship, roles and responsibilities between the Government and BRBR - including its Directors.
- 4) Compliance with this Financial Framework is a condition of subsidy payments to BRBR. This Financial Framework operates in addition to (and not in substitution for)

other statutory requirements and any specific directions, guidance or determinations made by the Secretary of State under statutory powers. Legislative changes will take precedence over any part of this document.

- 5) This Financial Framework will be reviewed within at least two years of the issue of the most recent substantive version. However, BRBR or the Department may propose variations at any time. Any such proposals by BRBR will be considered in the light of evolving policy, operational needs and BRBR's track record. The Department will determine what changes, if any are to be incorporated in the document. The Treasury or Cabinet Office, as appropriate, will be consulted on significant variations to the document.
- 6) The Department stands ready to provide advice or assistance to BRBR on the interpretation of any aspect of this Financial Framework. Any outstanding question regarding the interpretation of this Financial Framework or the instructions or guidance set out in any of the documents listed at paragraph 8 shall be resolved by the Department after consultation with BRBR and, as necessary, with the Treasury and/or the Cabinet Office.
- 7) Copies of this Financial Framework and any subsequent substantive amendments will be placed in the Libraries of both Houses of Parliament by the Department. It should also be made available on BRBR's internet site.

General Provisions

- 8) In so far as they relate to financial and staffing matters, BRBR shall comply with the instructions or guidance set out in:¹
 - a) recommendations made by the Public Accounts Committee or other Parliamentary authority which have been accepted by the Government and which are relevant to BRBR;
 - b) the Treasury guidance document *Regularity and Propriety*;
 - c) the Treasury booklet *Managing the Risk of Fraud*;
 - d) *Guidance on Codes of Best Practice for Board Members for Public Bodies*;
 - e) *European Community State Aids – Guidance for all Departments and Agencies*, published by the Department of Trade and Industry;
 - f) *Appraisal and Evaluation in Central Government* (the Green Book) published by the Treasury;
 - g) *Management of Risk: A Strategic Overview (the Orange book)* published by the Treasury;
 - h) *Departmental Banking - A Manual for Government Departments*;
 - i) *Cabinet Office Pay Delegation Guidance Notes*;
 - j) the Treasury's *Fees and Charges Guide*;
 - k) the Treasury document *Procurement Policy Guidelines*; and

- l) *The Economic Appraisal of Property Options: a manual of Procedures and Techniques.*
- m) *Code of Practice on Access to Government Information* published by the Lord Chancellor's Department.

RESPONSIBILITIES AND ACCOUNTABILITY

General

- 9) In pursuing its purposes, strategies, functions and aims BRBR shall act:
 - a) In accordance with its statutory obligations and any directions or guidance issued by the Government;
 - b) In accordance with this Financial Framework; and
 - c) Within the resources made available by Parliament and otherwise.

The Chairman/Chief Executive of BRBR

- 10) The Chairman/Chief Executive is appointed by the Secretary of State in line with the Code of Practice issued by the Commissioner for Public Appointments.
- 11) The Chairman/Chief Executive is responsible to the Secretary of State. The Chairman/Chief Executive shall aim to ensure that the BRBR's policies and actions support the wider strategic policies of the Secretary of State; and that the BRBR's affairs are conducted with probity. The Chairman/Chief Executive shares with other Board members the corporate responsibilities set out in paragraph 23 below, and in particular for ensuring that BRBR fulfils the aim[s] and objectives set by the Secretary of State.
- 12) The Chairman/Chief Executive has a particular leadership responsibility on the following matters:
 - a) formulating the Board's strategy;
 - b) ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or department;
 - c) promoting the efficient and effective use of staff and other resources;
 - d) encouraging high standards of propriety; and
 - e) representing the views of the Board to the general public.
- 13) The Chairman/Chief Executive shall also:
 - a) ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice; and

¹ A reference to a document in this list shall include any amended or updated version of that document.

- b) advise the Secretary of State of the needs of the BRBR when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- 14) The Chairman/Chief executive shall also ensure that a Code of Practice for Board Members is in place, based on the Cabinet Office's model Code of Practice for Board Members of Public Bodies. The Code shall commit the Chairman / Chief Executive and other Board members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Board members' interests.
- 15) Formal communications between the Board and the Secretary of State shall normally be through the Chairman/Chief executive. The Chairman/Chief Executive shall ensure that the other Board members are kept informed of such communications.

The Chairman/Chief Executive's role as Accounting Officer

- 16) The Chairman/Chief Executive, as the senior official of BRBR carries responsibilities which effectively put him/her in the position of being BRBR's Accounting Officer even though he/she is not formally designated as such.
- 17) The Accounting Officer of the BRBR is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of BRBR.
- 18) As Accounting Officer, the Chairman/Chief Executive shall exercise the following responsibilities in particular:
- 19) On planning and monitoring
 - a) establish, in agreement with the Department, BRBR's business plans in the light of the Department's wider strategic aim[s].
 - b) inform the Department of the BRBR's progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives;
 - c) ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends 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 the Department in a timely fashion;
- 20) On advising the Board
 - a) advise 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;
 - b) advise the Board on the BRBR's performance compared with its aim[s] and objectives;
 - c) ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;

- d) take action as set out in paragraphs 14–18 of the NDPB Accounting Officer memorandum [Annex B] if the Board is contemplating a course of action which the Chairman/Chief Executive considers would infringe the requirements of propriety or regularity or which would not represent prudent or economical administration or efficiency or effectiveness;

21) On managing risk and resources

- a) ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- b) ensure that an effective system of programme and project management and contract management is maintained;
- c) ensure that all public funds made available to the BRBR are used for the purpose intended by Parliament, and that such moneys, together with the BRBR's assets, equipment and staff, are used economically, efficiently and effectively;
- d) ensure that adequate internal management and financial controls are maintained by the BRBR, including effective measures against fraud and theft;
- e) maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- f) ensure that effective personnel management policies are maintained;

22) On accounting for the BRBR's activities

- a) sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with the Companies Act;
- b) sign a Statement on Internal Control regarding the BRBR's system of internal control, for inclusion in the annual report and accounts;
- c) ensure that effective procedures for handling complaints about the BRBR are established and made widely known within the BRBR;
- d) act in accordance with the terms of this document and with the instructions and guidance in Government Accounting and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office – in particular, the Treasury documents The Responsibilities of an NDPB Accounting Officer and Regularity and Propriety, both of which the Chief Executive shall receive on appointment. Paragraph 8 refers to other key guidance; and
- e) give evidence, normally with the DfT: Rail Accounting Officer, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the BRBR.

BRBR's Board

23) The Board is responsible to the Secretary of State for all aspects of BRBR's organisation and performance. This includes maintaining regularity, propriety and

value for money in BRBR's activities. The Board shall not assign absolutely to any person any of the responsibilities set out in this statement. However, in practice it may delegate BRBR's day to day management.

- 24) The Board has responsibility for ensuring that BRBR² complies with any statutory or administrative requirements for the use of public funds. Its other most important responsibilities, to the Secretary of State, are:
- a) ensuring that high standards of corporate governance are observed at all times;
 - b) ensuring that day-to-day management issues are delegated to board directors as appropriate. The framework for these arrangements shall be set down in writing and copied to the Department; and
 - c) ensuring that, in reaching decisions, it has taken into account any guidance issued by the Government.
- 25) The Directors of BRBR shall:
- a) comply at all times with the Codes and guidance referred to in paragraph 8 above;
 - b) act in good faith and in the best interests of BRBR;
 - c) 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; and
 - d) comply with the Board's rules on the acceptance of gifts and hospitality and of business appointments.

BRBR's Relationship with the Secretary of State and the Department

- 26) The Department's Permanent Secretary, as the Department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as whole.
- 27) Specific responsibility for the organisation, management, staffing and financial and other procedures in rail related activities have been assigned to an Additional Accounting Officer.
- 28) In respect of BRBR, the Additional Accounting Officer for DfT Rail needs to be satisfied that there are in place appropriate controls to safeguard public funds and that grants are consumed on the specific activities intended. BRBR shall provide the Department with such information, advice and assistance as it may require, and allow the Department³ access, including to BRBR's records where appropriate.
- 29) The Secretary of State and the Department's Accounting Officers will be supported in their responsibilities by the Department. Day to day contact between the Department and BRBR at official level on the issues set out in this Financial Framework will be through Rail Group: Rail Finance.

² Including JVs

³ including, for the avoidance of doubt, its internal auditors

PLANNING, BUDGETING & ACCOUNTABILITY

Business Plans

30) BRBR shall prepare an internal business plan and update it annually. A final version of the business plan should be sent to the Department normally by the second week of March..

Budgeting

31) BRBR shall submit to the Department, by the end of December each year, a draft budget (which may be based on extracts from its draft business plan) that indicates and explains its likely budget requirements for the following financial year, against each of a group of expenditure categories agreed with the Department. This should include BRBR's assessment of its likely requirements for subsidy for the coming financial year. It should take account of the relevant spending review settlement.

32) By the end of the second week of January each year, BRBR shall submit to the Department, a revised budget for the following financial year including an explanation of any changes. Any further changes to this revised budget prior to the start of the financial year should be notified, to the Department.

33) BRBR shall submit to the Department, a reassessment of its budget for the current year, including an explanation of any changes, as soon as possible following the end of payment periods 3, 6 and 9.

Accounting Requirements and Timetable

34) BRBR is required to retain accounting documents in line with the requirements of the Companies Acts.

Annual Report and Accounts

35) The annual report and accounts shall, as far as is appropriate, report on BRB(R)'s activities for that year. BRBR should ensure that the Department has the opportunity to comment on the draft annual report and accounts by mid-June.

External Audit

36) BRBR shall ensure that the final version of any management letters and other reports sent to it by, or on behalf of, the external auditors, are copied to the Department immediately after receipt.

37) The C&AG may also carry out examinations into the economy, efficiency and effectiveness with which BRBR 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 the National Audit Act 1983.

Performance Monitoring

38) BRBR shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against its budget and business plan.

39) BRBR should take the initiative in informing the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to its budgets or objectives.

- 40) The Department will undertake, or commission, a comprehensive review of BRBR at least once every five years. This will be carried out in line with guidance issued by the Cabinet Office.

INCOME

Payments of subsidy, draw-down procedures and cash carry-forward arrangements

- 41) Subsidy will be payable by the Department to BRBR to meet costs appropriate to BRBR's purposes. The maximum amount of subsidy available from the Department in each year is the amount voted by Parliament in the Main Supply Estimate, subject to any provision in approved Supplementary Estimates.
- 42) Subsidy must be applied only to the purposes set out in the relevant, published Supply Estimates.
- 43) Payments of subsidy will normally be made according to demonstrated need following receipt of a subsidy claim from BRBR. The Department will draw down sufficient cash from its Request for Resources to allow it to meet BRBR's agreed subsidy requirement. To enable the Department to best manage the cash draw down, BRBR should submit subsidy claims to the Department by the end of the second week of each payment period. In calculating subsidy requirements, BRBR shall take into account any cash surpluses or losses arising from previous subsidy claims. BRBR's subsidy claims to the Department should set out:
- a) the subsidy from the Department that it has received during the current financial year;
 - b) the income, from sources other than subsidy, that it has received during the current financial year;
 - c) the cash remaining in BRBR; and
 - d) BRBR's cash subsidy requirement at the end of the payment period concerned and at the start of the subsequent period including the date(s) on which the subsidy is required.
- 44) Subsidy claims shall be signed by BRBR's Chairman / Chief Executive or one of its Directors, or by another person notified by him/her to the Department.
- 45) Subsidy paid shall be adjusted following consultation between the Department and BRBR, where previous claims were not in accordance with the rules and principles in this Financial Framework, any adjustment being made against the subsequent payment of subsidy.

Estimates

- 46) The Department shall notify BRBR of the arrangements and timetable for the Main and Supplementary Estimates as soon as possible after they are established. BRBR shall provide such further information concerning its budget and requirements for subsidy as may be required by the Department for the purpose of Supplementary Estimates.

Receipts & Railways Land

- 47) BRBR is free to retain any gifts, bequests or similar donations made to it. These will be treated as receipts. Before proceeding in this way, BRBR should consider if there are any associated costs, or conflicts of interest, in doing so. BRBR shall keep a record of gifts, bequests and donations received, and of their estimated value and

whether they are disposed of or retained. Any gift or bequest of a significant monetary value will be reflected appropriately in BRBR's accounts.

- 48) Unless provided for in paragraphs 49-52 below, BRBR shall offset all receipts against its subsidy claims. They will not provide additional spending power.
- 49) BRBR may retain without any offsetting reduction in subsidy claims:
 - a) all receipts that are included in its budget agreed with the Department; and
 - b) any other receipts agreed with the Department in writing.
- 50) BRBR shall offset receipts from the sale of railway land and associated railway assets against its subsidy requirements and identify this in the associated subsidy claims.
- 51) Guidance issued on 7 October 2005 supplemented by further guidance issued on 26 July 2007 and attached at annex C sets out the framework within which BRBR should take decisions on the disposal of railway land. BRBR shall maintain an accurate and up-to-date register of any railway land and associated railway assets it holds. Unless otherwise agreed, receipts from the disposal of railway land and associated railway assets will normally be retained by the company. In preparing its budget for any given year, BRBR's cash requirement should be projected net of any cash balances held at the end of the previous financial year.
- 52) If BRBR's income from receipts is, or is expected to be, less than provided for in BRBR's budget for the financial year in question it should, unless otherwise agreed with the Department, be offset by a corresponding reduction in gross expenditure so that authorised provision and forecasted subsidy requirements are not exceeded.

Assets (other than railway land and associated railway assets)

- 53) BRBR shall maintain an accurate and up-to-date register of its fixed assets that are not railway land or associated railway assets. It should dispose of such assets that are surplus to its requirements. Assets shall, except as agreed otherwise in writing by the Department, be sold at market price.
- 54) If BRBR proposes to dispose of an asset, or group of assets, which are not railway land or associated railway assets that have been purchased, improved or developed with Government funds, and: the receipts amount to more than £1m; or the disposal has unusual features of which Parliament should be aware; the proceeds should be surrendered to the Department (except where the prior approval of the Department, who will consult the Treasury as necessary, has been obtained). Where such proceeds are surrendered, the Department will consider any case made to it for an equivalent increase in BRBR's subsidy provision.

Borrowing, leasing, lending, issuing guarantees, indemnities and contingent liabilities

- 55) With the written consent of the Secretary of State, BRBR may borrow, temporarily, from inside and outside the Government sector.
- 56) BRBR shall obtain the prior approval of the Department before entering into a property or finance lease with a value of over £1,000,000 per annum or of over 5 years' duration.
- 57) BRBR shall not, without the Department's written consent (which may, with the agreement of the Treasury, be granted in a general form), lend money, charge any

asset or security, give any guarantee or indemnities or letter of comfort, or create any other contingent liability (as defined in chapter 26 of Government Accounting), whether or not in a legally binding form.

Deposits and payments

58) BRBR shall keep cash, cash equivalents and bank balances accumulated from the Company's operations, departmental subsidy or other Exchequer funds at a level consistent with efficient operations. Surplus cash in excess of £250,000, which BRBR considers is likely to remain a surplus for at least 30 days, must be placed on deposit until it can be used. Subject to appropriate departmental approval, BRBR may enter into a treasury management agreement with a third party in order to facilitate the efficient utilisation of surplus cash. Any such treasury management agreement entered into should represent value for money and be appropriately structured

NON-STAFF EXPENDITURE & GENERAL

Financial Control

59) BRBR's subsidy shall score in the Department's budget.

60) The resources voted by Parliament to the Department for payments of subsidy to BRBR act in effect as a limit on the amount of cash which may be drawn down by BRBR. The amount of subsidy paid by the Department may not exceed the amount of resources voted by Parliament. BRBR must therefore ensure that its cash requirements do not exceed the amount of resources voted by Parliament either.

61) There are no further restrictions on cash drawdown, or on expenditure under the various categories to be agreed between the Department and BRBR, except as provided for in this Framework. BRBR should send the Department copies of each of its end-period financial reports as soon as possible after the end of the payment period concerned.

Payments by BRBR of grants or loans must be made properly in accordance with any guidelines for such payments given by the Department. BRBR shall ensure that proper procedures are in place to ensure that grants can be given only after a satisfactory financial appraisal of the organisation to which grants are proposed to be given, to demonstrate continuing financial viability, and that all grants are subject to conditions to ensure that grant money is used only for the purposes intended, including, where appropriate, a requirement for a statement of the usage of grant money and a report on this statement by independent auditors

Exceptions to delegated authority

62) BRBR⁴ shall discuss with the Department any novel, contentious or repercussive features likely to arise on a particular piece of business at an early stage. BRBR must obtain the approval of the Department before:

- a) making any commitment to incur expenditure or incurring any expenditure for any purpose which is or might be considered novel or contentious or which could have significant future cost implications, including on staff benefits;

⁴ Including JVs

- b) making any significant change in the scale of operation, the structure of the organisation, or funding of any initiative or particular scheme previously approved by the Department; and
- c) making any changes of policy or practice which have wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which may significantly affect the future level of resources required.

Subsidiaries and JVs

63) BRBR shall obtain the prior approval of the Department, who will consult the Treasury as necessary, before acquiring or forming any new subsidiaries or JVs. BRBR shall maintain a list of all its subsidiaries and JVs and shall provide the Department with a copy whenever it is updated.

Appraisal & monitoring

64) The BRBR's performance in helping to deliver ministers' policies, including the achievement of key objectives, shall be reported to the Department on a regular basis. Performance will be formally reviewed at least once a year by officials of the Department.

Banking

65) BRBR's Accounting Officer is responsible for ensuring that BRBR's banking arrangements safeguard public funds. The Accounting Officer is responsible for ensuring that BRBR's banking arrangements are in accordance with the requirements of Government Accounting and are carried out efficiently, economically and effectively. BRBR should therefore ensure that these arrangements are suitably structured, represent value for money and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, every three to five years. It should also ensure that BRBR's banking arrangements are kept separate from those of any other person, or organisation.

Internal Audit in BRBR

66) BRBR shall maintain effective arrangements for internal audit which are for the time being to be undertaken by the Departments Audit and Risk Assurance Division.

Risk management and insurance

67) BRBR will ensure that the risks 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. Guidance is contained in the Treasury publication Management of Risk: A Strategic Overview.

68) BRBR shall send a copy of its strategic risk register to the Department as soon as possible following every meeting of the audit committee at which a revised version is considered and in any event at least every 12 months.

69) BRBR may take out or continue to take out:

- a) insurance that was previously approved by the Department for specific purposes and which has transferred to BRBR;
- b) third-party insurance required by the Road Traffic Acts;

- c) other insurance that is a statutory obligation;
- d) directors and officers insurance; and
- e) insurance for other purposes for which the prior approval of the Department, who will consult the Treasury as necessary, has been obtained.

Fraud and theft

- 70) BRBR shall adopt and implement policies and practices to safeguard itself against fraud and theft and shall make available to its staff a fraud policy statement to communicate BRBR's approach to fraud. Should any fraud case of a substantial, novel or unusual nature arise, it should be notified immediately to the Department. BRBR should expect periodic checks by the Department on whether any new or suspected frauds have been detected. The Department reserves the right to seek information on frauds at any time during the year.

Losses, write-offs, special payments and gifts

- 71) Proposals for making gifts or other special payments including write-offs outside BRBR's delegated limits set out in Annex A must have the prior approval of the Department. The Chief Executive/Finance Director has authority – which may be delegated - to write off losses and make special payments to the value shown in Annex A, providing all reasonable attempts at recovery have proved unsuccessful. For cases that fall outside these conditions, he or she shall seek the authority of the Department before taking any action.
- 72) BRBR shall maintain a record of all losses written off, special payments and gifts made, detailing the circumstances of the event and stating, where appropriate, the action taken to prevent a recurrence; a record of gifts made should also be maintained. These records shall be available to the Department for inspection on request and a copy formally provided annually no later than the end of May each year.

Procurement

- 73) BRBR's procurement policies should conform to relevant Treasury guidance documents including Procurement Policy Guidelines. Account should also be taken of any relevant EU or other international procurement rules. All procurement of works, equipment, goods and services should be based on value for money, including quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal should be carried out before procurement decisions are taken. Contracts should normally be placed on a competitive basis. Proposals to let single-tender of restricted contracts shall be subject to a delegated authority, as set out in Annex A. BRBR shall maintain a database detailing all call-off framework panel assignments, who they are assigned to and the reason why an allocation is made. The contents of this database should be made available to the Department on request and a summary report provided annually. BRBR shall send the Department, as soon as possible after the end of the financial year, an exception report for that year explaining any contracts below the delegated thresholds set out at Annex A (but above £5000 in value) for which competitive tendering was not employed.
- 74) BRBR shall take all reasonable steps to appraise the financial standing of any firm or body with which it intends to enter into a contract.

Timeliness in paying bills

75) BRBR shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within thirty days. BRBR shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890).

STAFF EXPENDITURE

General

76) Subject to the provisions of this Financial Framework, the Chief Executive, reporting to the Board, will have responsibility for the recruitment, retention and motivation of BRBR's staff within the normal public sector framework. BRBR should ensure that:

- a) its rules for the recruitment and management of staff provide for appointment and advancement on merit and on the basis of equal opportunities for all applicants and staff;
- b) the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- c) the performance of staff at all levels is satisfactorily appraised;
- d) its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve BRBR's objectives;
- e) proper consultation with staff takes place on key issues affecting them;
- f) adequate grievance and disciplinary procedures are in place; and
- g) a code of conduct for staff is in place, based on the Cabinet Office document *Model Code of Conduct for Staff of Executive Non-Departmental Public Bodies*.

77) BRBR shall ensure that it has proper mechanisms for monitoring and controlling staff resources. BRBR shall periodically review the outputs of these mechanisms.

Recruitment

78) BRBR shall agree annually its recruitment strategy with the Department.

79) When recruiting, BRBR shall select staff on merit on the basis of fair and open competition, save where an appointment is justified for exceptional reasons relating to the needs of BRBR and the proven ability of the person proposed for appointment. BRBR is free to determine whether staff should be employed on fixed-term or open-ended contracts.

80) In the exercise of all its functions, BRBR shall ensure fair treatment for all regardless of race, ethnic or national origin, age, religion, gender, marital status, disability or sexual orientation. It should be committed to, and promote, equality of opportunity. A diversity policy, covering all aspects of BRBR's work, should be developed, implemented and maintained.

Pay, Grading & Appraisal

- 81) BRBR's pay and grading systems will need to match its business needs, normally placing emphasis on linking pay and performance. The prior approval of the Department will be required for its pay and grading systems, for any subsequent significant change to such systems and for annual remits for BRBR's pay settlements. Pay remits will need to comply with Government policy on public sector pay and cover all staff employed by BRBR. BRBR shall not regrade all posts at a particular level without the prior agreement in writing of the Department.
- 82) BRBR shall keep its staff appraisal system and performance pay scheme under review. The Department's approval is required for any substantive changes.
- 83) Subject to other provisions of this Financial Framework, BRBR shall ensure that the appropriate provisions concerning non-pay-related staff matters (such as recruitment and conduct) are in place. Terms and conditions determined by BRBR shall conform to any relevant rules or principles notified to BRBR by the Department.

Pensions

- 84) BRBR may participate in the Railways Pension Scheme. BRBR may make alternative arrangements for providing occupational pension benefits, but should seek the approval of the Department to those arrangements before any announcement or commitment is made.

Severance

- 85) BRBR will be required to seek prior approval from the Department for any potential severance negotiations instigated from the date of this document.

Department for Transport

June 2008

ANNEX A DELEGATIONS

Losses, Claims, Gifts & Special Payments.

1. Subject to the other provisions of this Financial Framework, BRBR shall have delegated authority to:

- a) write off individual losses up to the value of £100,000
- b) settle industrial injury claims up to £2m where it has accepted an adviser's recommendation or proposes to pursue a lower cost option; and
- c) make a single gift or special payment up to the value of £1,000. Such gifts and special payments shall not exceed a total value of £25,000 in any one year.

Contracts

2. Subject to the other provisions of this Financial Framework BRBR shall, where it is acting in accordance with relevant Treasury guidance documents including *Procurement Policy Guidelines*, and any relevant EU or other international procurement rules, have delegated authority to:

- a) let contracts, except call-off and framework contracts, that are awarded following competition;
- b) let call-off and framework contracts that do not exceed five years in length that are awarded following competition;
- c) let contracts worth less than £25,000 without formal written tenders provided that appropriate quotations have been obtained;
- d) let contracts worth less than the appropriate Official Journal of the European Community threshold by single tender action where there is no reasonable alternative (for example for certain specialist services);
- e) let contracts by single tender action in cases of extreme urgency (for example to remove a significant risk to public safety);
- f) allocate individual work worth less than £1,000,000 under call-off and framework contracts with BRBR, provided that work is allocated between suppliers on each of BRBR's call-off panels on a broadly equal basis, taking into account the ability of suppliers to undertake particular work; and
- g) allocate individual work worth less than £1,000,000 under call-off and framework contracts placed centrally e.g. by the Department or the Office of Government Commerce..

For the avoidance of doubt, any contracts to be let other than by competitive tender require the prior consent of the Department except as set out in paragraph 2 above.

Investments

3. Subject to the other provisions of this financial framework, and so long as the activity is in the normal course of business, BRBR shall have delegated authority to make investments up to £2 million in property assets.

Disposals

4. Subject to the other provisions of this financial framework and so long as the activity is in the normal course of business, BRBR shall have delegated authority to dispose of individual properties up to a value of £10 million in any single transaction. For the avoidance of doubt, this delegation does not apply to any portfolio sale proposals.

NDPB Accounting Officer memorandum

The responsibilities of an NDPB Accounting Officer

1. The senior official (usually the Chief Executive or equivalent) of a non-departmental public body (NDPB) is normally designated as Accounting Officer by the departmental Accounting Officer of the sponsor department. An Accounting Officer has the personal duty of signing the body's accounts. If the body is a Companies Act company, the accounts should be signed by both a director and the Accounting Officer of the body (unless the latter is also a director, in which case he or she may act as sole signatory). By virtue of this duty, the Accounting Officer has the further duty of being a witness before the **Committee of Public Accounts (PAC)** to deal with questions arising from those accounts or, more commonly, from reports made to Parliament by the Comptroller and Auditor General (C&AG) under the National Audit Act 1983.
2. Associated with these duties are the further responsibilities which are the subject of this memorandum. It is incumbent on the officials who serve as Accounting Officers to combine these duties with their duties to the Board of the NDPB (or, where there is no Board, to the senior appointee to the body), which they should inform of their designation. More detailed guidance for the Accounting Officer and the staff of the NDPB is contained in the Treasury manual *Government Accounting* (hard copies of which are available from TSO). *Government Accounting* can be accessed electronically on www.government-accounting.gov.uk.
3. NDPBs are financed in a variety of ways, e.g. by grant in aid, grant, income from fees and charges or private sector funds. An Accounting Officer is designated in the case of NDPBs which are financed by a large grant or grant in aid or where the accounts of the body are to be laid before Parliament. Where it is in the interests of public accountability, a department will also designate an Accounting Officer for an NDPB which receives its primary funding from other sources. It is an important principle that, regardless of the source of the funding, Accounting Officers are responsible to Parliament for the resources under their control.
4. This memorandum is directed at those who are formally designated as Accounting Officers. Its contents, however, are applicable to the senior official of an NDPB for which there is no designated Accounting Officer. This memorandum does not apply to those NDPBs (such as tribunals and advisory committees) which are funded directly by a department through an Estimate (as opposed to via grant or grant in aid) and for which the departmental Accounting Officer is therefore accountable.
5. Paragraph 6 below describes the responsibilities of a departmental Accounting Officer in relation to NDPBs. Paragraph 7 describes the general responsibilities of an Accounting Officer of an NDPB. Paragraphs 8–18 set out the responsibilities of Accounting Officers in respect of the funds for which they are responsible. Paragraphs 19–24 deal with the Accounting Officer's duties and responsibilities in respect of the National Audit Office and Public Accounts Committee. Paragraphs 25–7 describe the arrangements for covering the absence of an Accounting Officer.

Responsibilities of a departmental Accounting Officer

6. In relation to NDPBs, it is the responsibility of a departmental Accounting Officer to be satisfied that:
 - a. the financial and other management controls applied by the department are appropriate and sufficient to safeguard public funds and, more generally, that

those being applied by the NDPB conform with the requirements both of propriety and of good financial management;

- b. there is an adequate statement of the financial relationship between the department and the NDPB (in a management statement/financial memorandum or similar document) and that this statement is regularly reviewed; and
- c. the conditions attached to grants conform with the terms of the Estimate and that the sponsor department monitors compliance with those conditions.

The general responsibilities of an NDPB Accounting Officer

7. The designation as Accounting Officer reflects the fact that under the Board (whether or not he or she is a member of the Board) the Accounting Officer has responsibility, which only he or she is in a position to discharge, for the overall organisation, management and staffing of the NDPB and for its procedures in financial and other matters. The Accounting Officer must ensure that there is a high standard of financial management in the NDPB as a whole; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity throughout the NDPB; and that financial considerations are fully taken into account in decisions on NDPB policy proposals.

The specific responsibilities of the NDPB Accounting Officer

8. The essence of Accounting Officer's role is a personal responsibility for the propriety and regularity of the public finances for which he or she is answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the resources in their charge.

9. As Accounting Officer you must:

- a. personally sign the accounts (subject to the point in paragraph 1 about Companies Act companies), and in doing so accept personal responsibility for their proper presentation as prescribed in legislation or by ministers;
- b. conform with the requirements of any financial memoranda and ensure that accounts are drawn up in accordance with any conditions set out in legislation, the accounts direction and relevant Treasury guidance;
- c. ensure that proper financial procedures are followed and that accounting records are maintained in a form suited to the requirements of management as well as in the form prescribed for published accounts;
- d. ensure that the resources for which you are responsible as Accounting Officer are properly and well managed (see paragraph 10 below) and safeguarded, with independent and effective checks of cash balances in the hands of any official;
- e. ensure that assets for which you are responsible, such as land, buildings or other property, including stores and equipment, are controlled and safeguarded with similar care, and with checks as appropriate;
- f. ensure that conflicts of interest are avoided, whether in the proceedings of the Board or in the actions or advice of its staff, including yourself; and
- g. ensure that, in the consideration of policy proposals relating to the expenditure for which you are responsible as Accounting Officer, all relevant financial

considerations, including any issues of propriety, regularity or value for money, are taken into account, and brought to the attention of the Board.

10. An Accounting Officer should ensure that effective management systems appropriate for the achievement of the NDPB's objectives, including financial monitoring and control systems, have been put in place. An Accounting Officer should also ensure that managers at all levels:

- a. have a clear view of their objectives, and the means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
- b. are assigned well-defined responsibilities for making the best use of resources (both those consumed by their own commands, and any made available to organisations or individuals outside the NDPB), including a critical scrutiny of output and value for money; and
- c. have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

11. Accounting Officers must make sure that their arrangements for delegation promote good management and that they are supported by the necessary staff with an appropriate balance of skills. Arrangements for internal audit should accord with the objectives, standards and practices set out in the Treasury *Government Internal Audit Manual* .

Regularity and propriety of expenditure

12. In respect of funds voted by Parliament, Accounting Officers have a particular responsibility for ensuring compliance with parliamentary requirements in the control of expenditure and any requirements imposed by the sponsor department. A fundamental requirement is that the funds for which they are responsible should be applied only to the extent and for the purposes authorised by Parliament. You must also comply with any conditions which ministers may attach to the grant or grant in aid. You must ensure that Parliament's attention is drawn to losses or special payments, by appropriate notation of the relevant account.

13. An Accounting Officer is responsible for ensuring that specific approval for expenditure has been obtained from the sponsor department in all cases where it is required, including cases involving pay, pensions and conditions of service. This will include any expenditure not covered by any authorities delegated by the department to the NDPB. As in the case of delegations from the Treasury to departments, delegated authority does not remove the obligation to submit to its sponsor department proposals which are novel or contentious. The Accounting Officer is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all receipts of any kind connected with the accounts of the NDPB.

Advice to the Board

14. An Accounting Officer has particular responsibility to see that appropriate advice is tendered to the Board on all matters of financial propriety and regularity and, more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness. Accounting Officers will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to their own duty as Accounting Officer to justify, to the Public Accounts Committee, transactions for which they are accountable.

15. The Board of an NDPB should act in accordance with the requirements of propriety or regularity (including the provisions of the NDPB's management statement/financial memorandum, or other documents setting out the financial duties of the NDPB, or any

Government Accounting or other rules governing the conduct of the NDPB). If the Board or the chairperson is contemplating a course of action involving a transaction which you as Accounting Officer consider would infringe these requirements, however, you should set out in writing your objection to the proposal, the reasons for this objection, and your duty to notify the C&AG should your advice be overruled. If the Board decides none the less to proceed, you should seek a written instruction to take the action in question. You should also inform your sponsor department's Accounting Officer of the position, if possible before the Board takes its decision or in any event before the decision is implemented, so that the department, if it considers it appropriate, can intervene with the Board and inform the Treasury. If the outcome is that you are overruled, the Board's instruction must be complied with, but your request for the instruction and the instruction itself should be communicated without undue delay to the NDPB's external auditors, and to the C&AG. Provided that this procedure has been followed, the PAC can be expected to recognise that the Accounting Officer bears no personal responsibility for the transaction.

16. If a course of action is contemplated which raises an issue not of formal propriety or regularity but relating to your wider responsibilities for economy, efficiency and effectiveness, it is your duty to draw the relevant factors to the attention of the Board and to advise them in whatever way you deem appropriate. If your advice is overruled, and the proposal is one which as Accounting Officer you would not feel able to defend to the Public Accounts Committee as representing value for money, you should seek a written instruction before proceeding. The departmental Accounting Officer should be informed of such an instruction, if possible before the decision is implemented. It will then be for the departmental Accounting Officer to consider the matter, and decide whether or not to intervene. If the outcome is that the difference between yourself and the Board nevertheless remains unresolved, the Treasury should be informed and your request for the instruction and the instruction itself should be communicated to the C&AG without undue delay, as in cases of propriety or regularity (paragraph 15 above).

17. If, because of the extreme urgency of the situation, there is no time to submit advice in writing to the Board in either of the eventualities referred to in paragraphs 15 and 16 before the Board takes a decision, you must ensure that, if the Board overrules the advice, both the advice and the Board's instructions are recorded in writing immediately afterwards.

18. If an Accounting Officer is also the chairman or a member of the Board, he or she should ensure that the responsibilities as Accounting Officer do not conflict with those as a Board member. For example, if the Board proposes action which, as Accounting Officer, you could not endorse, and would therefore advise against, you should, as a Board member, vote against such action, or ensure that your opposition as a Board member as well as the Accounting Officer is clearly recorded if no formal vote is taken. In serious cases, it will not be sufficient to protect your position as a Board member merely to abstain from a decision which cannot be supported.

Appearance before the Public Accounts Committee

19. Where the C&AG is the auditor of the NDPB or has rights of inspection (either by statute or by agreement) then the C&AG may also, under the National Audit Act 1983, carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions. An Accounting Officer may expect to be called upon to appear before the Committee from time to time, normally with the Accounting Officer from the sponsor department, to give evidence on the reports arising from these examinations or reports following the annual certification audit, and to answer the Committee's questions concerning expenditure and receipts for which he or

she is Accounting Officer. An Accounting Officer may be supported by one or two other senior officials who may, if necessary, assist in giving evidence.

20. Treasury officials attend Committee hearings, and may be asked to comment on the evidence. The Treasury has the formal responsibility for presenting Estimates to Parliament, for prescribing the form of accounts and the rules of *Government Accounting* and for promoting good financial management in departments. This goes with the Treasury's central responsibility for the operation of public expenditure control. Parliament has traditionally regarded the Treasury as an ally in controlling expenditure.

21. An Accounting Officer will be expected to furnish the Committee with explanations of any indications of weakness in the matters covered by paragraphs 8–13 above, to which their attention has been drawn by the C&AG or about which they may wish to question the Accounting Officer.

22. In practice, an Accounting Officer will normally have delegated authority to others, but cannot on that account disclaim responsibility or dilute his or her accountability. Nor, by convention, does the incumbent Accounting Officer decline to answer questions where the events took place before taking up appointment: the Committee may be expected not to press the incumbent's personal responsibility in such circumstances.

23. The Committee has emphasised the importance it attaches to accuracy of evidence, and the responsibility of witnesses to ensure this, in order to ensure that relevant lines of enquiry may be pursued at its hearings. The Accounting Officer should ensure that he or she is adequately and accurately briefed on matters which are likely to arise at the hearing. The Accounting Officer may, however, ask the Committee for leave to supply information not within his or her immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, these should be made known to the Committee at the earliest possible moment.

24. In general, the rules and conventions governing appearances of officials before parliamentary committees apply to the Public Accounts Committee, including the general convention that officials do not disclose the advice given to the Board. Nevertheless, in a case where the procedure described in paragraph 15 was used concerning a matter of propriety or regularity, the Accounting Officer's advice, and its overruling by the Board, would be disclosed to the Committee. In a case covered by paragraph 16, where the advice of an Accounting Officer has been overruled in a matter not of propriety or regularity but of prudent and economical administration, efficiency or effectiveness, the C&AG will have made clear in the report to the Committee that the Accounting Officer was overruled. The Accounting Officer should seek to avoid disclosing the advice given to the Board, though subject to their agreement the Accounting Officer should be ready to explain the reasons for their decision.

Absence of an Accounting Officer

25. An Accounting Officer should ensure that he or she is generally available for consultation, and that in any temporary period of unavailability due to illness or other cause, or during the normal period of annual leave, there will be a senior officer in the NDPB who can act on his or her behalf if required.

26. If it becomes clear to the Board that an Accounting Officer is so incapacitated that he or she will be unable to discharge these responsibilities over a period of four weeks or more, the sponsor department should be notified so that an acting Accounting Officer can be formally designated, pending the Accounting Officer's return. The same applies if, exceptionally, the Accounting Officer plans an absence of more than four weeks during which he or she cannot be contacted.

27. The Public Accounts Committee may be expected to postpone a hearing if the relevant Accounting Officer is temporarily indisposed. Where the Accounting Officer is unable by reason of incapacity or absence to sign the accounts in time to submit them to the minister, the NDPB may submit unsigned copies pending the Accounting Officer's return. If the Accounting Officer is unable to sign the accounts in time for printing, the acting Accounting Officer should sign instead.