

UKGI-BP-157b

# UK Government Investments – Framework Document

## Contents

[To add]

## Introduction

**1.1** This framework document (the “**Framework Document**”) has been drawn up by HM Treasury in consultation with UK Government Investments Limited (“**UKGI**”) (the “**Company**”) a private limited Government-owned company.

**1.2** This document sets out the broad framework within which UKGI will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by HM Treasury and UKGI. HM Treasury will place copies of the document in the Libraries of both Houses of Parliament and UKGI will make it available to members of the public on the gov.uk website.

**1.3** This Framework Document should be interpreted in the light of the Company’s articles of association and English company law and is without prejudice to the statutory and other rights and obligations of HM Treasury or the Company.



## Background

**2.1** The Prime Minister and Chancellor of the Exchequer announced in May 2015 that the Shareholder Executive group from the Department for Business, Innovation and Skills would form the basis of UK Government Investments Limited, a new Government company owned by HM Treasury. The Chancellor of the Exchequer also announced that UK Financial Investments Limited ("**UKFI**"), a company owned by HM Treasury would become a subsidiary of the new company and the two would merge over time.

**2.2** From 1 April 2016, the functions and operations of the Shareholder Executive, formerly a group within the Department for Business, Innovation and Skills, were transferred to the Company.

**2.3** Furthermore, on 1 April 2016 HM Treasury's entire shareholding in UKFI was transferred to the Company.

**2.4** On 31 March 2018 the operations and staff of UKFI were transferred to UKGI and UKFI ceased operating. Responsibility for the execution of the former UKFI's investment mandate (which provided the framework by which UKFI developed and executed its investment and management strategy) also transferred to UKGI at this time. HM Treasury and UKGI have entered into a memorandum of understanding ("**MoU**") in relation to the management by UKGI of Royal Bank of Scotland and UK Asset Resolution ("**UKAR**") (including UKGI's management of agreements under which loan facilities are made available by HM Treasury to UKAR, and arrangements put in place by HM Treasury in respect of UKAR). The MoU builds on the former UKFI framework document and investment mandate.

**2.5** HM Treasury has secured a power in section 32 of the Enterprise Act 2016 to fund UKGI.

## Purpose and objectives

### Purpose

**3.1** The Company's overarching purpose is to be the UK Government's centre of excellence in corporate finance and corporate governance.

### Objectives

**3.2** To realise this purpose, the Company will deliver, as agreed with HM Treasury, against the following objectives ("**Objectives**") to:

- prepare and execute all significant corporate asset sales by the UK Government;
- To advise on other major corporate finance matters, including all major UK Government financial interventions into corporate structures and on major UK government corporate finance negotiations; and
- act as shareholder for, and lead establishment of, UK Government arm's-length bodies, as required and in line with HMT priorities.

**3.3** The UK government's stated policy aim is that it should not be a permanent investor in UK financial institutions and other commercial enterprises it does not have a policy reason to retain. The Company should, having regard to this policy objective, develop and execute an investment strategy for disposing of those investments in an orderly and active way, to protect and create value for the taxpayer. In doing so, the Company should, where applicable, (i) seek to maintain financial stability by having due regard to the impact of transactions it executes, and (ii) act in a way that promotes competition and orderly competitive markets consistent with a UK financial services industry that operates to the benefit of consumers and respects the commercial decisions of those financial institutions. The Company should manage any investments or assets in a commercial way, exercising any rights attaching to the Government's shareholding in them.

## Governance and accountability

### Ministerial responsibility

**4.1** The Chancellor of the Exchequer will account for the activities of UKGI in Parliament. Responsibility may be delegated to another HM Treasury Minister. At the time of publication this is the Economic Secretary to the Treasury.

### Principal Accounting Officer

**4.2** The Principal Accounting Officer (“**PAO**”) of HM Treasury is accountable to Parliament for the issue of any grant-in-aid to UKGI. The PAO is also responsible for advising the responsible Minister on:

- an appropriate framework of objectives and targets for UKGI in the light of the department’s wider strategic aims and priorities;
- an appropriate budget for UKGI in the light of the department’s overall public expenditure priorities; and
- how well UKGI is achieving its strategic objectives and targets, and whether it is delivering value for money.

**4.3** The PAO is also responsible for ensuring arrangements are in place in order to:

- monitor UKGI’s activities;
- address significant problems in UKGI, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and UKGI’s objectives and activities;
- inform UKGI of relevant Government policy in a timely manner; and
- bring concerns about the activities of UKGI to the Board, and, as appropriate, to the departmental board requiring explanations and assurances that appropriate action has been taken.

**4.4** The Enterprise and Growth Unit in the department is the primary contact for the Company. It is the main source of advice to the responsible Minister on the discharge of his or her responsibilities in respect of UKGI. They also support the PAO on his or her responsibilities toward UKGI.

**4.5** The PAO has designated the chief executive of UKGI as UKGI’s Accounting Officer.

### Responsibilities of UKGI’s chief executive as Accounting Officer

**4.6** The chief executive as Accounting Officer for UKGI is personally responsible for safeguarding the public funds for which he or she has 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 UKGI. In addition, he or she should ensure that UKGI as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

**4.7** As Accounting Officer, the chief executive has specific responsibilities to account to Parliament as covered by the Accounting Officer's letter of appointment and as described in *Managing Public Money*. The accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the 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 UKGI are established and made widely known within UKGI;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the PAO, when summoned before the PAC on UKGI's stewardship of public funds.

**4.8** Particular responsibilities to HM Treasury include:

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

**4.9** Unless agreed by HM Treasury, UKGI will follow the principles, rules, guidance and advice in Managing Public Money to the extent applicable, referring any difficulties or potential bids for exceptions to the sponsor team in HM Treasury in the first instance.



**4.10** The chief executive is responsible for:

- advising the board on the discharge of UKGI's 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 UKGI's performance compared with its objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraph 3.8.6 of Managing Public Money if the board, or its chairman, is contemplating a course of action involving a transaction which the chief executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

**4.11** The Company chief executive will be authorised to act as the "qualified person" under section 36(5)(o) (iii) of the Freedom of Information Act 2000.

**Parliament**

**4.12** The chief executive, chair, deputy chair and other members of UKGI will attend meetings of relevant Parliamentary committees (including the PAC and the Treasury Select Committee) as appropriate, for scrutiny and otherwise to answer questions about the Company.

## Corporate Governance

### Shareholder relationship

**5.1** HM Treasury's relationship with the Company will be underpinned by the principles of the UK Corporate Governance Code, so far as applicable to its circumstances. The Board of the Company are responsible for the day to day running of the Company. In normal circumstances, and save as provided in this Framework Document, the Treasury will not intervene in the running of the company. Subject to this Framework Document, any decisions taken by the Board (or any committee of the Board) will be taken in accordance with the directors' statutory, common law and fiduciary duties. The Chief Executive, as Accounting Officer, must take care that his or her personal legal responsibilities do not conflict with his or her duties as a board member. In particular, the Accounting Officer should vote against any proposal which appears to cause such a conflict; it is not sufficient to abstain.

**5.2** The Company will operate a corporate governance structure that provides a relationship between its Board and HM Treasury which, so far as practicable and in the light of the other provisions of this Framework Document or as otherwise may be agreed with HM Treasury, accords with best corporate governance practice.

**5.3** Interactions between the Treasury and the Company must be conducted in a professional, efficient, and trust-based dialogue:

- professional: professional people engaged in dialogue relevant to delivering the Company's objectives, with commitments delivered on time and to specification;
- efficient: both parties ensuring a joined-up and efficient approach amongst their respective constituent elements; and
- trust-based: open dialogue, based on a shared commitment to providing the Company with the ability to realise its purpose and pursue the Objectives effectively.

**5.4** HM Treasury, in consultation with the Company, will be entitled to reports or other information, on reasonable notice, to enable the performance of the Company to be assessed and as part of its broader oversight of the Company. The Company shall report financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives regularly.

**5.5** The Company's performance against the Objectives will be monitored by the following means:

- quarterly shareholder meetings between representatives of HM Treasury and the Company to discuss the Company's activities and performance against the Objectives. Each meeting is primarily intended to be weighted

towards being a forward-looking and risk-based analysis of progress against the UKGI Budget and Objectives;

- the Company will promptly and without delay disclose to HM Treasury any information regarding the Company that may otherwise have a significant bearing on the delivery of, or may have a significant impact on, the Objectives;
- in addition to the regular shareholder meetings, at HM Treasury's request, the directors or other representatives of the Company will meet HM Treasury representatives to discuss the affairs of the Company; and
- in addition to the monitoring procedure described above, HM Treasury will be entitled on reasonable notice to such information in relation to the affairs of the Company as it may consider necessary or desirable from time to time.

**5.6** HM Treasury has the following rights (the “**Shareholder Reserved Matters**”):

- appointment of the Company's Chair;
- appointment of the Company's Chief Executive;
- appointment of the Shareholder Representative Director;
- approval of other appointments to the Board;
- setting the Company's Objectives;
- approving the Company's forward strategy or high level priorities;
- approval of the terms (including remuneration and policy regarding payment of expenses) of all appointments to the Board;
- approval of the remuneration framework for all staff including executive directors and individual pay awards outside the delegated framework;
- approval of the UKGI budget and funding.

**5.7** Details on arrangements for appointments are set out in section 6 of this Framework Document.

**5.8** In view of HM Treasury's broader functions, including its functions in relation to financial stability and financial and economic policy, HM Treasury reserves the right, on an exceptional basis, to give the Board directions of a general or specific nature from time to time. The Board will comply with such directions, providing they are in accordance with statutory, common law and fiduciary duties, or resign. HM Treasury will, in making any such direction, have regard to the Objectives. Such directions will be given in writing and will be promptly published by HM Treasury unless financial stability or economic conditions require that publication is delayed or withheld.

## Customer responsibilities

**5.9** The Company will provide independent advice in areas pursuant to the Company's Objectives to Government departments and their Ministers to deliver such department's objectives. Any direct engagement with assets or projects will formally be as an agent of the relevant client departments.

**5.10** To facilitate UKGI in managing its work and resources, and to enable the constructive engagement of UKGI with the departments it provides advice to, memoranda of understanding will be put in place for the benefit of UKGI and the departments it works with. These arrangements should ensure that UKGI is indemnified by departments where it acts as the agent of a department in accordance with a departmental decision.

**5.11** The Company will have access to sensitive or confidential information through working with Government departments and their assets or projects. The Company must establish professional customer relationships and give departments confidence in its services. HM Treasury acknowledges that, when working for Ministers in other Government departments, the Company will therefore treat its customer's sensitive or confidential information and the advice it provides to its customers with the same degree of confidentiality as that Minister might expect of his or her own officials, in accordance with the Civil Service Code.



## The UKGI Board

### Board appointments

**6.1** The UKGI chair and non-executive board members are appointed for a period of three years by Treasury Ministers. Such appointments will comply with the Commissioner for Public Appointments *Code of Practice for Ministerial Appointments to Public Bodies* and may be subject to regulation as determined by government policy and the legal framework at the time an appointment is made.

**6.2** The Chief Executive is appointed by Treasury Ministers in consultation with the Chair.

### Board composition

**6.3** In line with the Government's *Code of good Practice*<sup>1</sup> the composition of the Board is a critical factor for HM Treasury. The aim is to secure an environment in which HM Treasury and the Chair share a common view regarding the composition of the Board and proposals for succession, taking into account the balance of experience, skills, diversity and background required. To this end, the following will apply:

- i. the Board will consist of no fewer than 5 directors;
  - ii. the Chair and other independent, non-executive private sector directors are to constitute the majority of the Board;
  - iii. HM Treasury will appoint the Chair, Chief Executive and Shareholder Representative Director, and will approve other appointments to the Board;
  - iv. HM Treasury will consult with the Chair about the identity of the proposed Shareholder Representative Director;
  - v. the nominations committee of the Board will be responsible for considering and making recommendations in respect of appointments to the Board and approving executive appointments to the Board in addition to the CEO;
  - vi. the Chair and HM Treasury will discuss the proposals for appointments and succession on a regular basis;
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- vii. the Board must ensure that, at least annually, suitably rigorous appraisals are made of the effectiveness of the Board, its committees and individual members of the Board;
- viii. the Chair is responsible for periodic internal and external reviews of Board performance, composition and succession planning; and
- ix. HM Treasury retains responsibility for conducting overall evaluation and review of the Chair's performance.

## Board responsibilities

**6.4** The Board will meet at least eight times per year.

**6.5** The Board must provide strategic direction to the Company, and ensure it is equipped to perform its functions, including having sufficient resourcing and a suitable organisational structure.

**6.6** The Board should enable effective arrangements to be put in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

**6.7** The Board will have specific responsibility for UKGI matters, including:

- i. recommendations to HM Treasury of appointments to the Board; and
- ii. reviewing and managing the Company's risk.

**6.8** The Board will have specific responsibility for Company matters including:

- i. monitoring and reviewing performance of the Company;
- ii. agreeing a business plan and the accounts, seeking agreement from HM Treasury as required in this Framework Document;
- iii. establishing and delivery of the Company Objectives, ensuring that the responsible Minister is kept informed of any significant changes which are likely to impact the attainability of Objectives;
- iv. in-depth consideration of Company matters that the Board deems significant including new projects, exiting projects, approvals and endorsement of advice;

- v. collectively supporting the Accounting Officer to account to Parliament for the Company's performance and stewardship of public funds;
- vi. demonstrating high standards of corporate governance at all times, including by using the audit committee to help the Board to address key financial and other risks; and
- vii. 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 authority and any delegated authority agreed with HM Treasury, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by HM Treasury.

**6.9** In addition, HM Treasury does not condone rewards for failure, and would expect the Board to support the removal of any director or member of senior management responsible for a serious failure to adhere to the Budget, comply with the arrangements in this Framework Document or for any other serious failure.

### Responsibilities of the Chair

**6.10** He or she is responsible for ensuring that policies and actions support the responsible Minister's and where relevant other Ministers' wider strategic policies and that the Board's affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout UKGI.

**6.11** In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy;
- enabling the Board, in reaching decisions, to take proper account of guidance provided by the responsible Minister or the 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.

## Board members

### 6.12 Individual Board members should:

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

## Board Committees

### 6.13 The Board will have the following committees:

- **Remuneration committee**

The remuneration committee will be responsible for setting the remuneration within the framework agreed by HM Treasury for all employees and for ensuring remuneration arrangements, including any incentivisation packages, are informed by relevant benchmarks.

The remuneration committee will also set policy and arrangements in accordance with the following criteria, such that remuneration levels:

- i. are sufficient to attract and retain the high calibre individuals necessary to drive the delivery of the Objectives;
- ii. are reconciled to performance, adherence to the Budget and delivery of the Objectives; and
- iii. deliver value for money.

The Board will appoint one of the Company's independent non-executive directors to chair the remuneration committee.

- **Audit and risk committee**

The audit and risk committee will be responsible for monitoring, oversight and advice to the Board for financial reporting, external and internal audit, internal control and risk, whistleblowing procedures and compliance.

A suitably qualified director of the Company will be appointed by the Board as the chair of the audit and risk committee.

- **Nominations committee**

The nominations committee will be responsible for considering and making recommendations to the Board in respect of appointments to the Board and approving executive appointments.

In addition, the nominations committee will make recommendations in respect of membership and chairmanship of Board committees.

The chair of the nominations committee will be the Chair.

- **Transactions committee**

The transactions committee is responsible for determining advice to HM Treasury and Ministers on the stewardship of, and preparation and execution of disposal strategies for, assets in relation to which the Government has determined it has no policy reason to retain, including but not limited to the Government's investments in the Royal Bank of Scotland and UK Asset Resolution.

The UKGI Board has delegated to the transactions committee the responsibility for determining the advice to HM Treasury or Ministers on these matters.

Such advice will not be subject to further approval by the Board. Final decisions on which assets are delegated to the transactions committee are to be made by the Board, in agreement with HM Treasury and, where applicable, the relevant sponsor department.

A suitably qualified director of the Company will be appointed by the Board as the chair of the transactions committee.



## The Board's Freedom to Act

**6.14** HM Treasury is committed to giving the Board the commercial freedom to adhere to the UKGI Budget and fulfil and deliver the activities and objectives set out in this Framework Document. In that context, and save as provided in this Framework Document, HM Treasury will not interfere in day-to-day operational and commercial matters.

**6.15** Subject to this Framework Document and the Company's articles of association, decisions on the day-to-day running of the Company will rest with the Board in accordance with the directors' statutory, common law and fiduciary responsibilities.

## Annual report and accounts

- 7.1** The Company must publish a consolidated annual report of its activities together with its consolidated audited accounts after the end of each financial year.
- 7.2** The annual report and accounts must:
- cover any corporate, subsidiary or joint ventures;
  - comply with statutory requirements as detailed in the Companies Act 2006 and any other relevant legislation (as amended or replaced from time to time);
  - apply International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), as adapted and interpreted by HM Treasury's Financial Reporting Manual and in accordance with the Financial Delegation Letter to the Accounting Officer; and
  - outline main activities and performance during the previous financial year and set out summary form forward plans.
- 7.3** The report and accounts will be laid in Parliament and made available on the UKGI website.
- 7.4** UKGI will be consolidated into the HM Treasury Group accounts.

## Internal audit

- 7.5** UKGI will:
- establish and maintain arrangements for internal audit in accordance with the *Treasury's Public Sector Internal Audit Standards (PSIAS)*<sup>2</sup> through the Government Internal Audit Agency;
  - forward the audit strategy, periodic audit plans and annual audit report, including the UKGI Head of Internal Audit opinion on risk management, control and governance as soon as possible to HM Treasury; and
  - keep records of, and prepare and forward to HM Treasury an annual report on fraud and theft suffered by UKGI and notify HM Treasury of any unusual or major incidents as soon as possible.

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<sup>2</sup> <https://www.gov.uk/government/publications/public-sector-internal-auditstandards>

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- 7.6 The internal audit service, including where the service is contracted out, has a right of access to all documents.

### External Audit

- 7.7 The Company must arrange audits of its accounts in accordance with statutory requirements. The Comptroller & Auditor General (C&AG) audits UKGI's annual accounts and passes the audited accounts to HM Treasury who will lay the accounts together with the C&AG's report before Parliament.
- 7.8 UKGI will permit audit procedures of the Company to be carried out by the National Audit Office (with or without the involvement of external professional advisers) as required.

### Access to UKGI records and personnel

- 7.9 HM Treasury has the right of access to all UKGI records and personnel for any purpose including, for example, sponsorship audits and operational investigations. In exercising this right, the Treasury will aim to respect commercial confidentiality to customer departments.



## Management and financial responsibilities

### Budget

**8.1** HM Treasury will approve the overall budget for the Company (the “**Budget**”). The Budget will be fully funded by HM Treasury (and as such the Company will not make profits or losses from its operations). Resources will be overseen by the Board and discussed with HM Treasury as necessary.

**8.2** Once the Budget has been approved, UKGI can incur expenditure approved in the Budget without further reference to HM Treasury, on the following conditions:

- UKGI will comply with the delegations set out in Appendix A. These delegations must not be altered without the prior agreement of HM Treasury;
- UKGI will comply with *Managing Public Money* regarding novel, contentious or repercussive proposals; and
- inclusion of any planned and approved expenditure in the Budget does not remove the need to seek formal HM Treasury approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed

**8.3** Each year, in the light of decisions by HM Treasury on updated corporate plans, it will send to UKGI by the end of February each year:

- a formal statement of the annual budgetary provision allocated in the light of competing priorities across HM Treasury; and
- a statement of any planned change in policies affecting UKGI.

**8.4** The approved annual business plan will take account of both approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

### Grant-in-aid and any ring-fenced grants

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

**8.6** The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. UKGI will comply with the general principle that there is no payment in advance of need. Cash balances accumulated

during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of UKGI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

**8.7** In the event that separate grants for specific (ringfenced) purposes are provided, the department would issue the grant as and when UKGI needed it on the basis of a written request. UKGI would provide evidence that the grant was used for the purposes authorised by the department. UKGI shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

### **Risk management**

**8.8** UKGI shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury guidance on tackling fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

### **Providing Budget monitoring information**

**8.9** UKGI shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.

**8.10** As a minimum, the Company shall provide the department with information monthly that will enable the department satisfactorily to monitor:

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

## Delegated authorities

**8.11** UKGI's delegated authorities are set out in Appendix A. UKGI shall obtain 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 UKGI's annual Budget as approved by the department.
- 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 the department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money where appropriate to a Government company.

## Business plan

**8.12** The Board must prepare a business plan to support the Objectives of, and control arrangements for, the Company (the "**Business Plan**"). The Business Plan is subject to review by, and the approval of, HM Treasury.

**8.13** The Business Plan will cover a period of at least 12 months and will be reviewed by the Board on a regular basis to take account of any additional or amended obligations or responsibilities assumed by the Company. This will include key targets and milestones for the year immediately ahead and will be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by HM Treasury.

**8.14** UKGI will agree with HM Treasury the issues to be addressed in the Business Plan, coverage of the plan in relation to the Group and the timetable for its preparation. The Treasury will be consulted on any significant changes to the Business Plan.

## Staff

### Board responsibilities

**9.1** Within the arrangements approved by HM Treasury in this Framework Document and through the Remuneration Framework, UKGI will have responsibility for the recruitment, retention and motivation of its staff. UKGI staff will not be Civil Servants or Crown Servants. 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 UKGI 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 UKGI'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 1998 are in place; and
- a code of conduct for staff is in place based on the Cabinet Office's *Model Code for Staff of Executive Non-departmental Public Bodies*

### Staff costs

**9.2** The Remuneration Framework will delegate to UKGI the ability to set pay and staff policy within the delegations provided. Subject to its delegated authorities, UKGI must ensure that the creation of any additional posts does not imply forward commitments that will exceed its expected ability to pay for them.

### Pay and conditions

**9.3** HM Treasury will delegate the remuneration policy for Company staff to the Board (which will be set within the agreed Budget), following agreement of a remuneration framework. Changes to the remuneration framework will require the consent of HM Treasury.



**9.4** In respect of the rates of pay and non-pay allowances paid to the staff and to any other person entitled to payment in respect of travel expenses or other allowances, payment must only be made in a manner consistent with the *Civil Service Management Code*<sup>3</sup> except where prior approval has been given by HM Treasury to vary such rates. UKGI will adopt HM Treasury Group policies on travel, subsistence, entertainment and hospitality, gifts and other expenses.

**9.5** Staff terms and conditions and policies will be made available to staff and to HM Treasury together with subsequent amendments.

**9.6** UKGI will operate a performance-related pay scheme that will form part of the remuneration framework approved by HM Treasury.

**9.7** UKGI will agree with HM Treasury how government policy in respect of pay and conditions of service will be applied to the Company.

### **Pensions, redundancy and compensation**

**9.8** UKGI staff should normally be eligible for a pension provided by its own scheme or PCS for staff transferring into the company from the Civil Service. Staff may opt out of the occupational pension scheme provided by UKGI.

**9.9** Any proposal by UKGI 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 and should comply with relevant Government policy in respect of pensions, redundancy and compensation arrangements. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

**9.10** The cap of public sector exit payments will apply to UKGI.

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<sup>3</sup> <https://www.gov.uk/government/publications/civil-servants-terms-andconditions>

## End Matters

**10.1** This Framework Document may be amended or supplemented from time to time where required by HM Treasury. In particular: (i) if the activities of the Company are extended; and (ii) to reflect the current Business Plan.

**10.2** Any amendments or supplements to this Framework Document resulting from the provisions of this section may alter the Objectives or will be made having due regard to the existing Objectives.

**10.3** Any amendments, updates, or replacements of this Framework Document must be published in the same way as this document and copies must be placed in the Libraries of both Houses of Parliament.

### Review of UKGI's status

**10.4** UKGI will be reviewed periodically. The date of the next review will be in 2019.

Signed.....

Date.....

(On behalf of HM Treasury)

Signed.....

Date.....

(On behalf of UK Government Investments  
Ltd)

## Appendix A

### Delegated authority

The Treasury will set out annual financial delegations for UKGI through a delegation letter covering one or more financial years. This will also confirm details of the budget allocated to UKGI.

HM Treasury requires that all financial actions (other than business as usual activity such as payroll) shall be:

- agreed by the Treasury where the value is equal to or greater than £2m on recommendation of the Board of UKGI
- agreed by the Board of UKGI where the value is equal to or greater than £1m
- agreed by both the Chief Executive and Chief Finance Officer of the Company where the value is less than £1m

All activity that could be novel, contentious or repercussive, and other matters reserved for the Treasury in Managing Public Money, will always require the consent of the Treasury.

UKGI does not have delegated authority to take on directly or any assets, liabilities, contingent liabilities or other commitments or obligations in managing shareholdings or the deliver of the Objectives without the consent of Treasury.

Any funding or assets proposed to be transferred to UKGI from another department will require the consent of the Treasury.

In addition, the regular delegation letter may include additional requirements as may be needed from time to time.