



UK Atomic  
Energy  
Authority

**United Kingdom Atomic Energy Authority  
Framework Document**

**February 2014**

**Signed**

Signed version kept by Authority Secretary

**Signed**

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**Date**

3<sup>rd</sup> March 2014

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3<sup>rd</sup> March 2014

on behalf of the Department for  
Business, Innovation and Skills

on behalf of the  
United Kingdom Atomic Energy Authority

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Framework Document**

This framework document has been drawn up by the Department for Business Innovation and Skills (BIS) in consultation with the United Kingdom Atomic Energy Authority (Authority). It sets out the broad framework within which the Authority will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by BIS and the Authority. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the Authority website.

**1 Purpose of the Authority**

- 1.1 The Authority was established by the Atomic Energy Authority Act 1954 (the 1954 Act) as a statutory corporation able to do such things and enter into such transactions as are incidental or conducive to the exercise and performance under the Act. The Authority supports the strategic aim, objectives and Operational Plan of its sponsoring department BIS.
- 1.2 The Authority's functions, as set out in the 1954 Act, section 2, are:
- to produce, use and dispose of atomic energy and carry out research into any matters connected therewith;
  - to manufacture or otherwise produce, buy or otherwise acquire, store and transport any articles which in the opinion of the Authority are, or are likely to be, required for or in connection with the production or use of atomic energy or such research as aforesaid, and to dispose of any articles manufactured, produced, bought or acquired by them;
  - to manufacture or otherwise produce, buy or otherwise acquire, treat, store, transport and dispose of any radioactive substances;
  - to make arrangements with universities and other institutions or persons for the conduct of research into matters connected with atomic energy or radioactive substances and, with the approval of the Lord President of the Council<sup>1</sup> and the Treasury, to make grants or loans to universities and other institutions or persons engaged in the production or use of atomic energy or radioactive substances or in research into matters connected with atomic energy or radioactive substances; and
  - to distribute information relating to, and educate and train persons in matters connected with, atomic energy or radioactive substances.
- 1.3 The Energy Act 2004, section 80, subsection 4, provides that the Authority 'has power, for the purposes of carrying out its functions (whether conferred by this section or otherwise) to do all such things as appear to them to be likely to facilitate the exercise or performance of their powers and duties, or to be incidental to doing so.'
- 1.4 These powers are subject to the granting of additional powers and amendments as outlined in section 2.

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<sup>1</sup> The duties of 'Lord President of the Council' have been transferred through a series of statutory instruments since 1954 through the Secretary of State for Trade and Industry to the Secretary of State for Business, Innovation and Skills and President of the Board of Trade.

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- 1.5 The principal mission of the UK Atomic Energy Authority is to position the UK as a leader in a future, sustainable energy economy by advancing fusion science and technology and related technologies to the point of commercialisation.
- 1.6 The Authority has secondary missions to enhance the value of the Culham and Harwell sites and undertake residual activities for which it is responsible.
- 1.7 To implement this mission, the Authority has identified a number of key business objectives that are delivered through a set of business processes.
- 1.8 The Authority and BIS have agreed the following objectives for the Authority:
  - Maintain and exploit the Authority's world class scientific and operational capability to ensure the success of ITER and our role in it;
  - Deliver JET as a world class fusion facility for the benefit of the international fusion programme and maximise the benefits for the Authority beyond 2018;
  - Complete the full upgrade of MAST to deliver novel solutions to DEMO and CTF, in addition to its wider research role;
  - Secure significant additional technology facilities including the European DEMO Design centre;
  - Work with UK industry and university partners to help them engage and profit from the fusion economy and associated spin-offs;
  - Develop a sustainable and balanced business development programme to help the resilience of the organisation, including exploiting fusion/fission synergies to develop world class advanced fission research capability; and
  - Attract, retain, develop and recognise the required skills and expertise for future success.
- 1.9 Each year the Authority Board, in consultation with the Executive and BIS, define specific performance measures and targets relating to the Authority's operations.

## Governance and accountability

### 2 The origins of the Authority's powers and duties

- 2.1 The Authority's powers and duties stem from the 1954 Act. In addition to the powers outlined in section 1.2, the 1954 Act also gives the Authority powers:
  - with the authority of the Secretary of State to purchase compulsorily any land required for the exercise and performance of its functions;
  - to appoint a secretary and appoint such other officers and take into their employment such other persons as they may determine;
  - to determine the pay and conditions of service of its employees and for former employees who retain a reserved right to accrue benefits in the pension schemes; and
  - to operate pension schemes for its employees (amendments to the schemes require the approval of the Secretary of State). Authority pension schemes also cover employees of other companies and organisations who were previously part of the Authority.
- 2.2 And duties:
  - to comply with any general or particular directions which may be given by the Secretary of State;

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- to provide returns, accounts and other information with respect to their property and activities as the Secretary of State may require;
  - to comply with any direction from the Secretary of State requiring part or all of revenues in respect of articles or property sold or services rendered to be paid into the Exchequer;
  - to keep proper accounts and other records and prepare in respect of each financial year statements of account as directed by the Treasury to be audited and certified and laid before Parliament by the Comptroller and Auditor General; and
  - to provide a report after the end of each financial year to be published with the annual accounts.
- 2.3 The Science and Technology Act 1965, section 4(1) gave the Authority the additional function to undertake scientific research in such matters not connected with atomic energy as may, after consultation with the Authority, be required by the Secretary of State.
- 2.4 The Control of Pollution Act 1974, section 101, gives the Authority powers to engage in the UK or elsewhere in such activities relating to the treatment and disposal of waste and other matter as the Secretary of State may from time to time specify by notice given to the Authority.
- 2.5 The Atomic Energy Authority Act 1986 put the Authority's finances on a trading fund basis and gave the Authority power:
- to borrow from, or with the consent of, the Secretary of State; and
  - to exploit commercially intellectual property resulting from its research and development or at its disposal by virtue of collaboration or exchange agreements.
- However, the Authority is treated as an NDPB for budgetary and accounting purposes.
- 2.6 And additional duties:
- to act on lines settled by it from time to time with the approval of the Secretary of State; and
  - in respect of work involving an outlay on capital account, to settle a general programme of work and, if the Secretary of State so requests, a programme of work in respect of a particular project or projects.
- 2.7 The Energy Act 2004, section 80, provides the following express functions and powers to the Authority:
- to carry on such functions as the Authority considers appropriate in connection with anything which the Nuclear Decommissioning Authority (NDA) has responsibility for e.g. granting the Authority powers to work as a contractor on nuclear sites and elsewhere outwith Authority ownership or control;
  - to develop and to commercially exploit an "expertise" in support of NDA requirements;
  - to do all such things which the Authority considers would be likely to facilitate the exercise or performance of its powers and duties; or which are incidental to so doing;
  - to discharge such functions and powers through subsidiaries, contractual or other arrangements; and
  - to provide administration services for nuclear and public sector pension schemes.

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- 2.8 The Authority operates a number of pension schemes. These comprise: the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS), and the Protected Persons Superannuation Scheme (PPSS). They are constituted by rules determined by the Authority and amended from time to time as approved by Ministers.
- 2.9 The schemes cover employees of the Authority and, where appropriate and in accordance with the scheme rules, former employees of the Authority including Babcock International, Dounreay Site Restoration Limited (DSRL), Research Sites Restoration Limited (RSRL), British Nuclear Fuels plc (BNFL) (including employees of the National Nuclear Laboratory and International Nuclear Services Limited), the Civil Nuclear Police Authority (CNPA) and the Health Protection Agency (HPA) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board), together with some employees of the Engineering and Physical Sciences Research Council (EPSRC), the Science and Technology Facilities Council (STFC), (former employees of the Council for the Central Laboratory of the Research Councils (CCLRC), the Particle Physics and Astronomy Research Council (PPARC) and the Science and Engineering Research Council (SERC)), the RCUK Shared Services Centre Limited and former Authority employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).
- 2.10 In 1986 Ministers gave the Authority a general undertaking to continue to accept responsibility in principle for the costs which the Authority incurs in treating and disposing of nuclear wastes and in decommissioning plant arising from programmes carried out prior to April 1986 and for work carried out on behalf of the Department of Energy after April 1986 (Attachment A). This undertaking was reconfirmed in June 2013 (Attachment B). This is the basis of BIS's financial responsibility for the Authority's remaining nuclear liability.

### 3 Overall aims

- 3.1 The Secretary of State/responsible Minister(s) has agreed that the aims of the Authority should be as follows:
- Manage the UK fusion research programme, including the operation of JET on behalf of the European Fusion Development Agreement (EFDA);
  - Manage the Authority's property portfolio (at the Culham site and part of the Harwell site);
  - Manage the Authority Pension Schemes;
  - Manage the liabilities arising from the historical duties of the Authority.
- 3.2 BIS determines the framework within which Authority objectives and targets are set. Objectives and key targets are agreed within the Authority's Corporate and Business Planning process to support BIS's Structural Reform Plan.

### 4 Ministerial responsibility

- 4.1 The Secretary of State for Business, Innovation and Skills accounts for the Authority's business in Parliament. The responsibilities of the Secretary of State are set out in the 1954 and 1986 Acts and include:
- appointing and setting the terms and conditions of the members of the Authority;
  - appointing a chief executive who shall also be appointed the sole Executive Member of the Board;
  - approving the policy and performance framework within which the Authority operates;

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- providing information about the Authority to Parliament as required;
- determining the amount of grant-in-aid, grant and other funds to be paid to the Authority, and seeking Parliamentary approval;
- determining, with Treasury approval, the members' remuneration and pensions;
- to consult with the Authority before issuing any directions, and not to intervene in detail in the conduct of the Authority's affairs unless national interests so require.

### 5 BIS's Accounting Officer's specific accountabilities and responsibilities

5.1 BIS's Accounting Officer (AO) has designated the Authority Chief Executive as the Authority's Accounting Officer.

5.2 BIS's AO is accountable to Parliament for the issue of any grant-in-aid to the Authority. The AO is also responsible for advising the responsible Minister:

- on an appropriate framework of objectives and targets for the Authority in the light of BIS's wider strategic aims and current PSA;
- on an appropriate budget for the Authority in the light of BIS's overall public expenditure priorities; and
- how well the Authority is achieving its strategic objectives and whether it is delivering value for money.

5.3 BIS's AO is also responsible for ensuring arrangements are in place in order to:

- monitor the Authority's activities on a continuous basis;
- address significant problems in the Authority, while having regard to the principle of not intervening in detail in the Authority's affairs, by making such interventions as are judged necessary in consultation with the Authority;
- periodically carry out an assessment of the risks both to BIS and the Authority objectives and activities;
- inform the Authority of relevant government policy in a timely manner; and
- bring concerns about the activities of the Authority to the full Authority board, requiring explanations and assurances that appropriate action has been taken.

5.4 The Research Funding Unit (part of Knowledge and Innovation) in BIS is the primary contact for the Authority. They are the main source of advice to the responsible Minister on the discharge of his or her responsibilities in respect of the Authority. They also support BIS's AO on his or her responsibilities toward the Authority.

5.5 The main functions of the Research Funding Unit team are to:

- communicate relevant Government policy to the Authority and advise on the interpretation of that policy; and to issue specific guidance to the Authority as necessary;
- advise the Secretary of State on the grant-in-aid for the Authority within BIS's overall public expenditure provision, and on appropriate performance targets for the Authority;
- advise the Secretary of State on matters which require the Secretary of State's approval;
- monitor and review the Authority's performance against targets and against its total financial provision and act on any significant problems in the Authority, whether financial or otherwise, in a timely fashion;

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- advise the Secretary of State on how well the Authority is achieving its objectives and whether it is delivering value for money;
- advise the Secretary of State on appointments to the Authority Board and issuing minutes of appointment on behalf of the Secretary of State; and
- be sufficiently well informed about the Authority's activities to be able to offer advice on any issue for which the Secretary of State may be held to account.

### 6 Responsibilities of the Chief Executive as Authority Accounting Officer

#### *General*

6.1 The Chief Executive as Accounting Officer 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 the Authority. In addition, he or she should ensure that the Authority 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.

#### *Responsibilities for accounting to Parliament*

6.2 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 Secretary of State;
- producing a Statement of Directors' and Accounting Officer's Responsibility, for inclusion in the annual report and accounts;
- signing a Governance Statement regarding the system of internal control, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the Authority are established and made widely known within the Authority;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by BIS, the Treasury and the Cabinet Office;
- giving evidence, normally with the AO of BIS, when summoned before the PAC on the Authority's stewardship of public funds;
- ensuring that all public funding made available to the Authority and any approved income or other receipts is used for the purpose intended by Parliament, and that such moneys, together with the NDPB's assets, equipment and staff, are used economically, efficiently and effectively;
- ensuring that adequate internal management and financial controls are maintained by the Authority, including effective measures against fraud and theft;
- maintaining a comprehensive system of internal delegated authorities which is notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- ensuring that appropriate personnel management policies are maintained.

#### *Responsibilities to BIS*

6.3 Particular responsibilities to BIS include:

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- establishing, in agreement with BIS, the Authority's corporate and business plans in the light of BIS's wider strategic aims and Structural Reform Plan;
- informing BIS of progress in helping to achieve BIS'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 BIS; that BIS 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 BIS in a timely fashion.

### *Responsibilities to the board*

6.4 The chief executive is responsible for:

- advising the board on the discharge of the Authority's responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the board on the Authority's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 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, questionable feasibility, or is unethical.

## **7 The Authority Board**

7.1 The Chairman and Members (referred to as the Authority Board) constitute the Authority and exercise and perform the statutory functions given to the Authority. Members are appointed by the Secretary of State. They hold and vacate their office in accordance with the terms of their appointment. Section 1 of the 1954 Act as amended by section 11 of the 1995 Act requires the Secretary of State to appoint a Chairman and not less than four and no more than fifteen Members of the Authority.

7.2 The board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The board must set up an Audit Committee chaired by an independent non-executive member to provide independent advice. The board is expected to assure itself of the effectiveness of the internal control and risk management systems.

7.3 The board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the Authority consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- ensuring that the responsible Minister is kept informed of any changes which are likely to impact on the strategic direction of the Authority or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the board operates within the limits of its statutory authority and any delegated authority agreed with BIS, and in accordance with any

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other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by BIS;

- ensuring that the board receives and reviews regular financial information concerning the management of the Authority; is informed in a timely manner about any concerns about the activities of the Authority; and provides positive assurance to BIS that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks;
- in consultation with BIS, set performance objectives and recommend to the Secretary of State remuneration terms linked to these objectives for the chief executive which give due weight to the proper management and use and utilization of public resources; and
- ensuring that within the Authority a distinction is made between strategic planning and management, which are responsibilities of the Board, and day-to-day management issues, which have been delegated to the Chief Executive, and that these arrangements have been set down in writing.

### *The chairman's personal responsibilities*

- 7.4 The Chairman is appointed by the Secretary of State under section 1 of the 1954 Act, normally for a period of 3 years in line with guidance issued by the Commissioner for Public Appointments. The Chairman is expected to attend, and will lead and direct all meetings of the Authority.
- 7.5 The chairman is responsible to the named Minister. Communications between the Authority board and the responsible Minister should normally be through the chairman. 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 its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the Authority.
- 7.6 In addition, the chairman has the following leadership responsibilities:
- formulating the board's strategy;
  - ensuring that the board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or BIS;
  - 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.
- 7.7 The chairman also has an obligation to ensure that:
- the work of the board and its members are reviewed and are working effectively;
  - the board has a balance of skills appropriate to directing the Authority's business, as set out in the Government Code of Good Practice on Corporate Governance;
  - board members are fully briefed on terms of appointment, duties, rights and responsibilities;
  - he or she, together with the other board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;

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- the responsible Minister is advised of the Authority's needs when board vacancies arise;
- he or she assesses the performance of individual board members when being considered for re-appointment;
- all Members, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities; and, when vacancies arise, shall advise the Secretary of State of the needs of the Authority with a view to ensuring a proper balance of professional and financial expertise; and
- there is a Board Operating Framework (this document) in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance;
- a Code of Practice for members is in place based on the model Code of Practice for Board Members of Public Bodies produced by the Cabinet Office. The Code shall commit the Chairman and other 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.

### *Individual board members' responsibilities*

#### 7.8 Individual board members should:

- comply at all times with the Board Members' Code of Practice 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 Authority.

## **8 Annual report and accounts**

8.1 The Authority must publish an annual report of its activities together with its audited accounts after the end of each financial year. The Authority shall provide BIS its finalised audited accounts by such date as may be agreed from time to time with BIS.

#### 8.2 The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Annual Report and Accounts Guidance (part of the Government Financial Reporting Manual, FReM<sup>2</sup>);
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

8.3 Information on performance against key performance measures and targets should be included in the annual report. The report and accounts shall be laid in Parliament and made available on the Authority's website, in accordance with the guidance in FReM. A draft of the report should be submitted to BIS before the proposed publication date on a timescale as agreed with BIS from time to time. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by BIS as well as the FReM.

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<sup>2</sup> <https://www.gov.uk/government/publications/government-financial-reporting-manual>

**United Kingdom Atomic Energy Authority Framework Document****9 Internal audit**

9.1 The Authority shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS)<sup>3</sup>;
- ensure BIS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
- set up an audit committee of its board in accordance with the Code of Good for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the Authority's Head of Internal Audit opinion on risk management, control and governance as soon as possible to BIS; and
- keep records of, and prepare and forward to BIS an annual report on fraud and theft suffered by the Authority and notify BIS of any unusual or major incidents as soon as possible.

9.2 BIS's internal audit service has a right of access to all documents prepared by the Authority internal auditor, including where the service is contracted out.

**10 External audit**

10.1 The Comptroller & Auditor General (C&AG) audits the Authority's annual accounts and lays them before Parliament, together with his report. In the event that the Authority has set up and controls subsidiary companies, the Authority will ensure that, where appropriate, the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The Authority shall discuss with BIS the procedures for appointing the C&AG as auditor of the companies.

10.2 The C&AG:

- will consult the Authority on who – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the Authority;
- will share with BIS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on BIS's responsibilities in relation to financial systems within the Authority;
- will, where asked, provide BIS and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Authority has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Authority shall provide, in conditions to grants and contracts, for the C&AG to exercise such

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<sup>3</sup> <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

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access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

### *Right of access*

10.4 BIS has the right of access to all Authority records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

## Management and financial responsibilities

### 11 Managing Public Money and other government-wide corporate guidance and instructions

11.1 Unless agreed by BIS and, as necessary, HM Treasury, the Authority shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Research Funding Unit in BIS in the first instance. A list of guidance and instructions with which the Authority should comply is in Appendix 2.

11.2 Once the budget has been approved by BIS, and subject to any restrictions imposed by statute, the appropriate Minister, or this document, the Authority shall have authority to incur expenditure approved in the budget without further reference to BIS, on the following conditions:

- the Authority shall comply with the Delegation of Financial Authority given in Appendix 1. These delegations shall not be altered without the prior agreement of BIS;
- the Authority shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal BIS approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- the Authority shall provide BIS with such information about its operations, performance, individual projects or other expenditure as BIS may reasonably require.

### 12 Corporate Governance

#### *Board appointments - the chairman and board members*

12.1 The Authority chairman and board members are appointed normally for a period of three years by the responsible Minister. Such appointments will comply with the Code of Practice of the Office of the Commissioner on Public Appointments<sup>4</sup>.

#### *Board appointments – the chief executive*

12.2 The Chief Executive is appointed by the Board, with the Secretary of State's approval.

#### *Composition of the board*

12.3 In line with the government's Code of Good Practice for Corporate Governance<sup>5</sup> and the 1954 Act, the Board will consist of a chairman, together with not less than four nor more than 15 other members that have a balance of skills and experience appropriate

<sup>4</sup> <http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/>

<sup>5</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

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to directing the Authority's business. The Chief Executive is normally appointed a member. The board should include a number of independent non-executive members to ensure that executive members are supported and constructively challenged in their role.

### 13 Risk management

13.1 The Authority shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury Orange Book 'Management of Risk: Principles and Concepts'<sup>6</sup>. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on Tackling Fraud<sup>7</sup>. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

### 14 Corporate and business plans

14.1 The Authority shall submit annually to BIS a draft of the corporate plan covering three years ahead. The draft should be submitted by such date as may be agreed with BIS from time to time. The Authority shall agree with BIS the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect the Authority's statutory duties and, within those duties, the priorities set from time to time by the responsible Minister (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the Authority contributes to the achievement of BIS's Structural Reform Plan

14.2 The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by BIS. Subject to any commercial considerations, the corporate and business plans should be published by the Authority on its website and separately be made available to staff.

14.3 The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- a review of performance in the preceding financial year, and an estimate of performance in the current year;
- alternative scenarios (if required by BIS) and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between BIS and the Authority.

### 15 Budgeting procedures

15.1 Each year, in the light of decisions by BIS on the updated draft corporate plan, BIS will send to the Authority by such date as may be agreed from time to time:

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

<sup>7</sup> [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/tackling\\_external\\_fraud.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/tackling_external_fraud.pdf) \_ Link to be updated once on gov.uk

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- a formal statement of the annual budgetary provision allocated by BIS in the light of competing priorities across BIS and of any forecast income approved by BIS; and
- a statement of any planned change in policies affecting the Authority.

15.2 The approved annual business plan will take account both of approved funding provision (where this applies) 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.

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

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

16.2 The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The Authority 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 the Authority. 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, BIS 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.

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

### 17 Reporting performance to BIS

17.1 The Authority 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. The Authority shall inform BIS of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies, and the achievement of key objectives on a quarterly basis. The Authority's performance shall be formally reviewed by BIS on such timescale as BIS may consider to be appropriate from time to time. The responsible Minister will meet the Chairman once a year.

#### *Providing monitoring information to BIS*

17.2 As a minimum, the Authority shall provide BIS with information monthly, or for such other periods as may be agreed from time to time, that will enable BIS satisfactorily to monitor:

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

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### *Authority/BIS working level liaison arrangements*

17.3 Officials of the Research Funding Unit team in BIS will liaise regularly with Authority officials to review the Authority's financial performance against plans, achievement against Authority targets and Authority expenditure against its DEL and AME allocations. BIS will also take the opportunity to explain wider policy developments that might have an impact on the Authority.

### **18 Delegated authorities**

18.1 The Authority's Delegation of Financial Authority is given in Appendix 1. The Authority shall obtain BIS's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Authority's annual budget as approved by BIS;
- 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 BIS;
- 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.

### **19 Authority staff**

#### *Broad responsibilities for Authority staff*

19.1 Within the arrangements approved by the responsible Minister and, where appropriate, the Treasury, the Authority will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and 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 Authority objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;

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- 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<sup>8</sup>.

### *Staff costs*

19.2 Subject to its delegated authorities, the Authority shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

### *Pay and conditions of service*

19.3 The Authority has delegated responsibility for staff numbers, pay and conditions as set out in the 1954 Act, within the constraints of the agreed Corporate Plan. Within this the Authority is responsible for the terms and conditions of service of and the recruitment, retention and motivation of staff. The statutory requirements are set out in paragraph 7 of the First Schedule to the 1954 Act.

19.4 Staff terms and conditions should be set out in an Employee Handbook, which should be made available to BIS on request.

19.5 The Authority shall operate a performance-related pay scheme that shall form part of the annual aggregate pay budget approved by BIS or the general pay structure approved by BIS and the Treasury whichever is applicable.

19.6 The travel expenses of board members shall be tied to the rates allowed to senior staff of the Authority or departmental rates whichever is applicable. Reasonable actual costs shall be reimbursed.

19.7 The Authority shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

### *Pensions, redundancy and compensation*

19.8 Authority staff shall normally be eligible for a pension provided by the Authority (the CPS). Staff may opt out of the occupational pension scheme provided by the Authority, but the employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.

19.9 Any proposal by the Authority to move from the existing pension arrangements, or to pay any compensation for loss of office, requires the prior approval of BIS. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

## **20 Review of the Authority status**

20.1 The Authority will be reviewed on such timescale as may be decided by BIS from time to time, normally a minimum of once every three years.

## **21 Arrangements in the event that the Authority is wound up**

21.1 BIS shall put in place arrangements to ensure the orderly winding up of the Authority. In particular it should ensure that the assets and liabilities of the Authority are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to BIS.) To this end, BIS shall:

- ensure that procedures are in place in the Authority to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;

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<sup>8</sup> See chapter 5 of 'Public Bodies' <https://www.gov.uk/government/publications/public-bodies-information-and-guidance>

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- specify the basis for the valuation and accounting treatment of the Authority's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. In the event that another NDPB takes on the role, responsibilities, assets and liabilities, the succeeding NDPB AO should sign the closing accounts. In the event that BIS inherits the role, responsibilities, assets and liabilities, BIS's AO should sign.

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

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**Appendix 1 - List of Delegated Authorities**

This is set out in the letter from the Director, Research Base, BIS to the CEO and Accounting Officer of the Authority, dated 6<sup>th</sup> August 2013, as updated from time to time.

Also the Specific Delegation letter from the Director General, Knowledge & Innovation Group, BIS to the CEO and Accounting Officer of the Authority, dated 14 January 2014.

**United Kingdom Atomic Energy Authority Framework Document****Appendix 2 - List of Government-wide Corporate Guidance Instructions**

The Authority shall comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*:  
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>
- *Code of Conduct for Board Members of Public Bodies*:  
[http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf)
- *Code of Practice for Ministerial Appointments to Public Bodies*:  
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- *Managing Public Money* (MPM):  
<https://www.gov.uk/government/publications/managing-public-money>
- Public Sector Internal Audit Standards:  
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Management of Risk: Principles and Concepts:  
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud:  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf)
- Government Financial Reporting Manual (FReM):  
<https://www.gov.uk/government/publications/government-financial-reporting-manual>
- Fees and Charges Guide, Chapter 6 of *Managing Public Money*;
- Departmental Banking: A Manual for Government Departments, annex 5.6 of *Managing Public Money*;
- Relevant Dear Accounting Officer letters;
- Regularity, Propriety and Value for Money:  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm)
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration:  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciple>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- A7.2 Drawing up framework documents Managing Public Money;
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office):

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80082/PublicBodiesGuide2006\\_5\\_public\\_body\\_staffv2\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf)

- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions and guidance issued by the sponsor Department;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the Authority.

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**Attachment A - Underwriting the Authority's Nuclear Liabilities**

**Text of a letter sent by the Secretary of State for Energy to the Chairman of the Authority on 20<sup>th</sup> May 1986**

Now that you have begun operations on a trading fund basis, I am writing to confirm that, provided satisfactory arrangements can be agreed that the work is done efficiently, economically and to the required standards, the Government is prepared to continue to accept responsibility in principle for the costs which AEA incurs in treating and disposing of nuclear wastes and in decommissioning plant, arising from programmes carried out by the AEA and its predecessors prior to 1 April 1986.

From time to time the Government may also bring certain requirements generated by work carried out for the Department of Energy under programme letters after 1 April 1986, within the scope of this letter.

The Government is not at this stage giving undertakings in defined financial terms in relation to any particular measures for the disposal of pre-1986 wastes and decommissioning of relevant plants. Agreement to such terms will have to be reached separately as and when appropriate through the programme letter arrangements or whatever system supersedes them. Further, before it enters into any commitment to make payments, the Government will be required to be satisfied:

- that the costs will be properly attributed to programmes falling within the scope of this letter;
- that the basis of charges has been agreed in advance of the work being done;
- that proper arrangements exist for controlling and monitoring these costs.

The Government will in particular need to be satisfied that in respect of any requirement arising from work done after 1 April 1986 it is not making a contribution to costs that other AEA customers would in any case have incurred; and that such other customers accept liabilities arising from their programmes on a similar basis.

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**Attachment B - Confirmation in June 2013**

**Text of a letter sent by the BIS Director General for Finance and Commercial to the Authority Secretary and Chief Financial Officer on 20<sup>th</sup> June 2013**

This is to confirm that the Department continues to support the liabilities which arise out of the Government commitment to cover the costs of decommissioning JET at the end of its operational life. As before this is dependent on satisfactory arrangements being agreed that the work is done efficiently, economically and to required standards. On that basis the Government is prepared to continue to accept responsibility in principle for the costs incurred.

Before any specific undertakings are given, agreement to any such terms will have to be reached separately at an appropriate time and once the Government is satisfied that:

- the costs will be properly attributed to programmes falling within the scope of this letter;
- the basis of charges has been agreed in advance of the work being done;
- proper arrangements exist for controlling and monitoring these costs;
- there is no contribution to costs that other Authority customers would have incurred and have accepted liabilities arising from their programmes;

If needed, hypothecated funding would be provided for JET decommissioning utilising the UK Atomic Energy Authority Provision held within the BIS Accounts