

STRATEGIC RAIL AUTHORITY

FINANCIAL FRAMEWORK

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INTRODUCTION

1.1 In this Financial Framework, unless otherwise stated:

- "the Accounts" are the accounts provided for in paragraph 11 of Schedule 14 to the Act;
- "the Accounts Direction" is the direction issued to the SRA in accordance with paragraph 11(2) of Schedule 14 to the Act;
- "the Act" is the Transport Act 2000;
- "the Annual Report" is the report provided for in section 75 of the Railways Act 1993;
- "the Board" means the Members and the Chair;¹
- "BTP" means the British Transport Police;
- "the C&AG" means the Comptroller and Auditor General;
- "the Chair" means the member who is to chair the SRA, provided for in section 202 of the Act;
- "the Chief Executive" means the person appointed as chief executive of the SRA in accordance with section 203 of the Act;
- "the core SRA" means the body corporate known as the Strategic Rail Authority, created under section 201 of the Act, excluding BTP and RPC. For the avoidance of doubt this also excludes Network Rail, subsidiaries and JVs.
- "the department" is the Department for Transport;
- "D&G" means the Directions and Guidance issued by the Secretary of State to the SRA on 26th September 2002 and any subsequent revisions;
- "the Government" is the UK Government;
- "JVs" means any joint ventures to which the SRA is a party where expenditure scores against the Public Sector Borrowing Requirement.
- "the Members" means the members of the SRA appointed in accordance with sections 202 and 203 of the Act excluding the Chair;
- "NDPB" is a Non-Departmental Public Body;
- "Parliament" is the UK Parliament;
- "payment periods" means the 13 railway industry payment periods;
- "PSBR" means the Public Sector Borrowing Requirement;
- "public funds" means funds granted to the SRA by Parliament, or borrowed with the consent of the Secretary of State, and any other funds generated by approved activities or falling within the stewardship of the SRA;
- "Railway Land" means property, rights and liabilities inherited from British Rail or otherwise the responsibility of Rail Property Ltd. or BRB (Residuary) Ltd;
- "RPC" means, collectively, the Rail Passengers' Council and Rail Passengers' Committees;
- "Scottish grant-in-aid" means grant-in-aid from the Scottish Ministers;
- "Scottish services" means services for the carriage of passengers by rail which:
 - start and end in Scotland and are provided under a franchise agreement;

¹ If the same person is appointed as Chair and Chief Executive, as provided in paragraph 2.2, references to "the Board" in paragraphs 2.10 and 2.14 (17) should be taken to refer to the Members (excluding the Chair).

- start or end in Scotland and are provided under a franchise agreement by a person who also provides services of the type mentioned in paragraph (a) above; and
- are provided or secured by the SRA under section 30 of the Railways Act 1993 and were, before the SRA began to provide them or to secure their provision, services of the type mentioned in paragraphs (a) or (b) above;
- "the Secretary of State" is the Secretary of State for Transport;
- "the SRA" is the body corporate known as the Strategic Rail Authority², created under section 201 of the Act and all of its subsidiaries that are classified by the Office of National Statistics as being in the public sector. For the avoidance of doubt, this excludes JVs and Network Rail.

The SRA

1.2 The SRA is established under section 201 of the Act. The purposes of the SRA are set out in section 205 of the Act.

1.3 The SRA is classified as an executive NDPB and, for the purpose of the PSBR, to the central government sector. Whilst an arm of Government, the SRA does not carry out its functions on behalf of the Crown. The sponsor department for the SRA is the Department for Transport, acting on behalf of the Government. The SRA is responsible to the Secretary of State.

Status of this Financial Framework

1.4 This Financial Framework is issued in accordance with paragraph 16 of Schedule 14 to the Act. It has been drawn up by the department in consultation with the SRA and sets out:

1. rules and guidelines relevant to the exercise, planning and reporting of the SRA's functions, statutory duties and powers;
2. certain of the conditions under which public funds are paid to the SRA and how it is to be held to account for its performance and use of public funds;
3. the general principles under which the department will lend to the SRA, or give consent to borrowing by the SRA from others under paragraph 8 of Schedule 14 to the Act;
4. accounting and auditing procedures, in accordance with paragraphs 11 and 12 of Schedule 14 to the Act; and
5. an exposition of the relationship, roles and responsibilities between the Government and the SRA - including its Chair, members and Chief Executive.

1.5 The SRA is required by paragraph 16(3) of Schedule 14 to the Act not to exercise any of its functions in a manner that is inconsistent with this Financial Framework. In addition, the Secretary of State will make compliance with this Financial Framework a condition of grant-in-aid payments to the SRA, in accordance with paragraph 7 of Schedule 14 to the Act. This Financial Framework operates in addition to (and not in substitution for) other statutory requirements and any specific directions, guidance or determinations made by the Secretary of State under statutory powers. It is not a consent under paragraph 8(4) of Schedule 14 to the Act. Legislative changes will take precedence over any part of this document. This Financial Framework supersedes both the Financial Framework and Management Statement issued by the department on 29 January 2001.

² This excludes the operational decision making of the British Transport Police and policy functions of the RPC, but includes certain administrative responsibilities - such as the employment of staff - of these bodies.

1.6 This Financial Framework will be reviewed within at least two years of the issue of the issue of the most recent substantive version. However, the SRA or the department may propose variations at any time. Any such proposals by the SRA will be considered in the light of evolving policy, operational needs and the SRA's track record. The department will determine what changes, if any are to be incorporated in the document. Treasury or Cabinet Office, as appropriate, will be consulted on significant variations to the document.

1.7 The department stands ready to provide advice or assistance to the SRA on the interpretation of any aspect of this Financial Framework. Any outstanding question regarding the interpretation of this Financial Framework or the instructions or guidance set out in any of the documents listed at paragraph 1.9 shall be resolved by the department after consultation with the SRA and, as necessary, with the Treasury and/or the Cabinet Office.

1.8 Copies of this Financial Framework and any subsequent substantive amendments will be placed in the Libraries of both Houses of Parliament by the department. It should also be made available on the SRA's internet site.

General Provisions

1.9 In so far as they relate to financial and staffing matters, the SRA shall comply with the instructions or guidance set out in:³

1. recommendations made by the Public Accounts Committee or other Parliamentary authority which have been accepted by the Government and which are relevant to the SRA;
2. *Government Accounting*, including in particular the Accounting Officer Memorandum for NDPBs;
3. *Government Internal Audit Standards*; issued by the Treasury;
4. *Executive NDPBs – Annual Reports and Accounts Guidance*, issued by the Treasury;
5. relevant *Dear Accounting Officer* letters;
6. the Consolidation Officer Memorandum issued by the Treasury;
7. relevant *Dear Consolidation Officer* letters;
8. the Treasury guidance document *Regularity and Propriety*;
9. HM Treasury Public Expenditure System (PES) Papers;
10. the Treasury booklet *Managing the Risk of Fraud*;
11. *Non-Departmental Public Bodies - a Guide for Departments* published by the Cabinet Office;
12. *Guidance on Codes of Best Practice for Board Members for Public Bodies*;
13. *European Community State Aids – Guidance for all Departments and Agencies*, published by the Department of Trade and Industry;
14. *Appraisal and Evaluation in Central Government* (the Green Book) published by the Treasury;
15. *Management of Risk: A Strategic Overview (the Orange book)* published by the Treasury;
16. *Departmental Banking - A Manual for Government Departments*;

³ A reference to a document in this list shall include any amended or updated version of that document.

17. *Cabinet Office Pay Delegation Guidance Notes;*
18. *Compensation for Premature Termination of Appointment of staff of Non-Departmental Public Bodies;*
19. *Model Code of Conduct of Staff for Executive NDPBs;*
20. *Codes of Practice on Access to Government Information* and guidance on its interpretation;
21. the Treasury's *Fees and Charges Guide;*
22. the Treasury document *Procurement Policy Guidelines;* and
23. *The Economic Appraisal of Property Options: a manual of Procedures and Techniques.*
24. *Code of Practice on Access to Government Information* published by the Lord Chancellor's Department.

1.10 In the event that the SRA perceives any apparent contradiction between any of the above documentation and statutory duties or requirements it shall give precedence to the relevant statutory duties and requirements. The department stands ready to advise the SRA should it perceive any apparent contradiction between the documentation listed above.

RESPONSIBILITIES AND ACCOUNTABILITY

2.1 In pursuing its purposes, strategies, functions and aims the SRA shall act:

1. In accordance with its statutory obligations set out in the Act and any directions or guidance issued by the Government;
2. In accordance with this Financial Framework; and
3. within the resources made available by Parliament and otherwise.

2.2 Section 202 of the Act provides that the SRA shall consist of a member who is to chair it; and not fewer than seven, nor more than fourteen, other members. Section 203 of the Act provides that the SRA shall, with the approval of the Secretary of State, appoint a Chief Executive to the SRA. The same person may be appointed Chair and Chief Executive, provided that appropriate corporate governance arrangements - agreed by the department's Permanent Secretary - are put in place. In such a situation, his/her responsibilities as Accounting Officer are paramount. He/she must not undertake any action, or issue any instructions, in either role that would conflict with his/her responsibilities as Accounting Officer.

The SRA's Chair

2.3 The SRA's Chair and Members are appointed by the Secretary of State in accordance with section 202 of the Act and in line with guidance issued by the Commissioner for Public Appointments.

2.4 The Chair is responsible to the Secretary of State for ensuring that the SRA's policies are consistent with those of the Secretary of State and the Government more generally, and that the SRA's affairs are conducted with probity.

2.5 The Chair has a particular responsibility for providing effective strategic leadership and for:

1. formulating the Board's strategy for discharging its statutory duties;
2. encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the SRA;
3. ensuring that the Board, in reaching decisions, takes proper account of advice, directions or guidance provided by the department;
4. representing the views of the SRA to the general public; and
5. ensuring that the SRA observes any directions and guidance issued in accordance with sections 206, 207 and 208 of the Act, and section 196 of the Greater London Authority Act 1999, and that the SRA puts into effect any relevant recommendation (accepted by the Government) of Parliamentary Select Committees or Parliamentary authorities which relate to the policy or strategy of the SRA.

2.6 The Chair shall ensure that all Members, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. When vacancies for Members arise, the Chair shall advise the Secretary of State on the needs of the SRA, with a view to ensuring a proper balance. He/she shall also ensure that appropriate arrangements are in place to assess the performance of each Member. These should include appropriate records, opportunities for feedback to the Member and provision for a written performance assessment to be submitted to the Secretary of State if a Member is being considered for re-appointment.

2.7 The Chair is the SRA's primary contact with Ministers and will raise issues as appropriate. For this purpose the Chair will have direct access to Ministers, as necessary.

The SRA's Board

2.8 The SRA has two lines of accountability. Firstly, the Board is responsible to the Secretary of State for all aspects of the SRA's organisation and performance. This includes maintaining regularity, propriety and value for money in the SRA's activities. Secondly, the Chief Executive, as Accounting Officer, has a personal, and separate, responsibility to Parliament and (as set out at paragraphs 2.14 and 2.20 below) the department's Permanent Secretary, for these issues. The Board shall not assign absolutely to any person any of the responsibilities set out in this statement. However, in practice it may delegate the SRA's day to day management to the Chief Executive and staff.

2.9 The Board has responsibility for ensuring that the SRA⁴ complies with any statutory or administrative requirements for the use of public funds where this is consistent with the Chief Executive's responsibilities as the SRA's Accounting Officer. Its other most important responsibilities, to the Secretary of State, are:

1. ensuring that high standards of corporate governance are observed at all times;
2. establishing the overall strategic direction of the SRA within the policy and resources framework agreed with Ministers;
3. ensuring that day-to-day management issues are delegated to the Chief Executive as appropriate. The framework for these arrangements shall be set down in writing and copied to the department;
4. ensuring that, in reaching decisions, it has taken into account any guidance issued by the Government; and
5. appointing, with the Secretary of State's approval, a Chief Executive to the SRA.

2.10 The Board should seek to avoid giving the Chief Executive instructions that conflict with his/her duties as the SRA's Accounting Officer and should support and monitor the Chief Executive as Accounting Officer in undertaking all his/her responsibilities. If the board is contemplating a course of action that the Chief Executive considers may conflict with his/her duties as the SRA's Accounting Officer, then he/she should act in accordance with paragraphs 14 – 18 of the NDPB Accounting Officer Memorandum.

2.11 The SRA shall maintain a Code of Practice for the Board, based on the Government's *Guidance on Codes of Practice for Board Members of Public Bodies* and including a requirement for a publicly available register of interests. The Chair is responsible for ensuring that the Board abides by the requirements of the SRA's Code. Any revisions to the code should be copied to the department.

2.12 The Members of the SRA shall:

1. comply at all times with the Code required under paragraph 2.11 above;
2. act in good faith and in the best interests of the SRA;
3. 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

⁴ Including JVs

service to promote their private interests or those of connected persons of organisations; and

4. comply with the Board's rules on the acceptance of gifts and hospitality and of business appointments.

The SRA's Chief Executive

2.13 The Chief Executive is responsible to the Board for the day-to-day operations and management of the SRA. The Chief Executive, on taking up appointment, is designated by the Accounting Officer of the department as the Accounting Officer for the SRA. As Accounting Officer, the Chief Executive is personally responsible for ensuring regularity, propriety and good value for money in the management of public funds and all other resources for which he/she has charge; and for the day to day operations and management of the SRA. He/she should act in accordance with the terms of his/her designation as Accounting Officer, this Financial Framework, the Accounts Direction and with instructions and guidance issued from time to time by the Government - in particular, the Treasury documents *The Responsibility of an NDPB Accounting Officer and Regularity & Propriety*.

2.14 The Chief Executive as Accounting Officer is responsible to Parliament for all the resources under his/her control. He/she is also responsible to the department's Permanent Secretary for the SRA's compliance with this Financial Framework. The Chief Executive has a large measure of autonomy within the framework set out in his/her letter of designation as Accounting Officer. In particular he/she as Accounting Officer is personally responsible for:

1. establishing, in agreement with the department, and maintaining the core SRA's corporate and business planning frameworks;
2. advising the Board on the SRA's performance against its purposes and objectives;
3. controlling the SRA's expenditure and the systems required to achieve it - ensuring that public funds are used for the purpose for which they were intended by Parliament, and that resources are used economically, efficiently and effectively;
4. advising the Board on the discharge of its responsibilities under the terms of statute, this Financial Framework, the Accounts Direction and any other relevant instructions, advice, directions and guidance that may be issued from time to time;
5. ensuring that all relevant financial considerations are taken into account by the Board at all stages in the making and executing of its decisions, including any issues of propriety, efficiency and effectiveness and that standard appraisal techniques are followed;
6. signing the SRA's accounts and maintaining proper accounting records in support of the accounts; ensuring that the accounts are properly prepared in accordance with paragraphs 11 and 12 of Schedule 14 to the Act and presented in accordance with the Accounts Direction;
7. signing a Statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;⁵
8. signing a statement on the system of internal control for inclusion in the annual report and accounts;

⁵ The coverage of these statements, especially with regard to Network Rail will be agreed with the National Audit Office.

9. ensuring adequate internal management and financial controls are maintained, including effective measures against fraud and theft;
10. ensuring that the SRA⁶ has obtained specific approval for expenditure in all cases where it is required;
11. ensuring that the SRA observes any general guidance issued by the Government which relate to his/her duties as Accounting Officer or the day to day operations and management of the SRA;
12. liaising with the department's Accounting Officer on SRA matters and in particular income and expenditure issues, which arise before the Public Accounts Committee or other Parliamentary Committees and appearing before these committees from time to time;
13. ensuring that the SRA puts into effect any relevant recommendation (accepted by the Government) of the Public Accounts Committee or of other Parliamentary Select Committees or Parliamentary authorities which relate to his/her duties as Accounting Officer or the functions and management of the SRA;
14. ensuring that timely monitoring information and forecasts are provided to the department; that corrective action is taken to avoid overspends, and that the department is notified promptly when overspends, or underspends, are likely;
15. 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;
16. ensuring that appropriate personnel management policies are developed, maintained and observed;
17. taking action as set out in paragraphs 14-18 of the NDPB Accounting Officer Memorandum if the Board is contemplating a course of action involving a transaction which the Accounting Officer considers would infringe the requirements of regularity or propriety or does not represent prudent or economical administration or efficiency or effectiveness;
18. ensuring that effective procedures for handling complaints about the SRA are established and made widely known;
19. ensuring that the financial and other management controls applied by the British Transport Police Force and Committee are appropriate and sufficient to safeguard public funds and, more generally, conform with the requirements both of propriety and of good financial management; and
20. ensuring that there is an adequate statement of the financial relationship between the SRA and the British Transport Police Committee and that this statement is regularly reviewed.⁷

2.15 For the purposes of the Whole of Government Accounts the Chief Executive will normally be designated as the SRA's Consolidation Officer by the Treasury. As Consolidation Officer the Chief Executive is personally responsible for preparing the consolidation information that sets out the financial results and position of the SRA, arranging for its audit, and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.

⁶ including JVs

⁷ Points 19 and 20 shall cease to apply at such time as a national Police Authority is established for the British Transport Police. A framework document, such as that provided for in paragraph 5.10 may be appropriate.

2.16 As Consolidation Officer, the Chief Executive shall comply with the requirements of the Consolidation Officer Memorandum. In particular, he/she shall be responsible for:

1. ensuring that the SRA has in place and maintains accounting records that will provide the necessary information for the consolidation process; and
2. preparing the consolidation information (including the relevant accounting and disclosure requirements and all relevant consideration adjustments) in accordance with the consolidation instructions and directions issued by the Treasury.

2.17 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer duties. He/she should ensure that these duties and objectives are clearly defined in writing and that nominees have sufficient information, training and access to expert advice to exercise these responsibilities effectively. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this statement. He/she should provide the department with a list of the delegations made at the beginning of each financial year, if these have changed from the previous year.

2.18 The Chief Executive is the Principal Officer for the purpose of the handling of cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she is responsible for informing the department's Permanent Secretary of any complaints about the SRA accepted by the Parliamentary Ombudsman for investigation, and about the SRA's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

The SRA's Relationship with the Secretary of State and the Department

2.19 The Secretary of State is accountable to Parliament for the activities of the SRA. Sections 206 and 207 of the Act provide that the Secretary of State may give directions and guidance to the SRA. The Secretary of State is responsible for carrying out responsibilities specified in the Act, determining the resources from the department to be made available to the SRA, seeking Parliamentary approval for these resources, ensuring that the SRA uses the resources given with propriety and regularity, that good value for money is obtained and that the SRA has adequate systems in place to ensure that this is the case. The SRA shall be objective and even handed in its dealings with members of Parliament.

2.20 The department's Permanent Secretary, as the department's principal Accounting Officer, is responsible for the overall organisation, management and staffing of the department and for ensuring that there is a high standard of financial management in the department as whole. In respect of the SRA, he/she is responsible for:

1. ensuring that the financial and other management controls applied by the department to the SRA are appropriate and sufficient to safeguard public funds;
2. ensuring that the SRA's compliance with those controls is monitored;
3. satisfying him/herself that the internal controls applied by the SRA conform to the requirements of regularity, propriety and good financial management;
4. accounting to Parliament for the issue of any grant, grant-in-aid or any other form of subvention to the SRA, and for ensuring that the subvention is within the ambit and the amount of the Request for Resources; and
5. ensuring that Parliamentary authority has been sought and given for any such subvention.

2.21 The department's Permanent Secretary may instigate such investigations as he/she considers necessary to discharge these responsibilities. The SRA shall also provide the department with such information, advice and assistance as it may require, and allow the department⁸ access, including to the SRA's records where appropriate.

2.22 The department's Permanent Secretary also has responsibility for formally designating the Chief Executive as the SRA's Accounting Officer, issuing the terms and requirements of the appointment and ensuring that the appointee is suitably trained and fully aware of the responsibilities involved. He/she may withdraw Accounting Officer status should he consider the appointee to be no longer fit to carry out these duties.

2.23 The Secretary of State and the department's Accounting Officer will be supported in their responsibilities by the department. Day to day contact between the department and the SRA at official level on the issues set out in this Financial Framework will be through Railways: Passenger & Freight Division.

PLANNING, BUDGETING & ACCOUNTABILITY

Business & Corporate Plans

⁸ including, for the avoidance of doubt, its internal auditors

3.1 The core SRA shall prepare an internal business plan and update it annually, in parallel with the development of its Strategic Plan. A final version of the business plan should be sent to the department as soon as possible after the Strategic Plan is published and normally by the second week of February.

3.2 A corporate plan (which may include appropriate extracts from the business plan) shall be published and made available on the SRA's internet site normally no later than March each year. The main elements of the plan - including all objectives - shall be agreed between the Department and the core SRA. The corporate plan should:

1. set objectives, covering the core SRA's internal organisation and operation, for the forthcoming financial year against which its performance can be readily evaluated and reported on in the corresponding Annual Report;
2. give key information on future expenditure proposals and objectives, highlighting - where appropriate - significant changes from the previous year;
3. summarise, at a high level, the internal organisation and operation of the core SRA including efficiency and running costs; and
4. reflect relevant decisions on policy and resources.

Budgeting

3.3 The SRA shall submit to the department, by the end of the second week of November each year, a draft budget (which may be based on extracts from its draft business plan) that indicates and explains its likely budget requirements for the following financial year, against each of a group of expenditure categories agreed with the Department. This should include the SRA's assessment of its likely requirements for grant-in-aid for the coming financial year. It should take account of the relevant spending review settlement. The SRA shall also submit those aspects specifically relating to Scottish services and Scottish grant-in-aid to the Scottish Executive to a similar timescale.

3.4 By the end of the second week of January each year, the SRA shall submit to the department, and in relation to Scottish services and Scottish grant-in-aid to the Scottish Executive, a revised budget for the following financial year including an explanation of any changes. Any further changes to this revised budget prior to the start of the financial year should be notified, to the department and/or Scottish Executive.

3.5 The SRA shall submit to the department, and in relation to Scottish services and Scottish grant-in-aid to the Scottish Executive, a reassessment of its budget for the current year, including an explanation of any changes, as soon as possible following the end of payment periods 3, 6 and 9.

Accounting Requirements and Timetable

3.6 The specific accounting requirements for the SRA are set out in paragraphs 11-15 of Schedule 14 to the Act and the Accounts Direction issued by the Secretary of State in accordance with paragraph 11 of Schedule 14 to the Act. The SRA is required to retain accounting documents in line with the requirements of *Government Accounting*. The SRA shall also ensure that Scottish grant-in-aid is accounted for in a separately identifiable manner.

Annual Report and Accounts

3.7 Section 75 of the Railways Act 1993, as amended by the Act, requires the SRA to prepare an annual report on its activities as soon as reasonably practicable after the end of the financial year. The SRA may combine its annual report and accounts into a single consolidated document.

3.8 The annual report and accounts shall, as far as is appropriate, comply with relevant Treasury guidance to NDPBs. In reporting on its activities, under section 75(1)(a) of the Railways Act 1993, as amended by the Act, the SRA shall report on its performance against the objectives in its corporate plan for that year. Information on performance against key financial targets should be included in the Financial Director's review.

3.9 The SRA shall ensure that the department has the opportunity to comment on the draft annual report and accounts by mid-June.⁹ Extracts of the draft accounts, relating specifically to Scottish grant-in-aid and Scottish services, shall be copied to the Scottish Executive.

3.10 In accordance with section 75 of the Railways Act 1993, and paragraph 12(2) of Schedule 14 to the Act, a final version of the report and accounts, and the Comptroller and Auditor General's report on them, shall be sent to the Secretary of State. Unless otherwise agreed with the department, this should be by the beginning of the second full week in July. The Secretary of State will lay a copy of the annual report and accounts before each House of Parliament. By order under the Scotland Act 1998, made in May 1999, which impacts on sections 75(1) and (2) of the Railways Act 1993, reports made by the SRA shall be sent to the Scottish Ministers who shall lay them before the Scottish Parliament.

3.11 Section 75(2) of the Railways Act 1993 requires that the Secretary of State shall arrange for copies of the annual report to be published. In practice, the SRA shall, unless otherwise agreed with the department, make the arrangements for the publication of the annual report and accounts in consultation with, and on a date agreed by, the department.

External Audit

3.12 Under paragraph 12(1) of Schedule 14 to the Act, the SRA's accounts shall be audited by the C&AG, who shall send a copy of his/her report on them to the SRA. For the purpose of the audit the C&AG has statutory access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any order made under section 25(8) of that Act.

3.13 The SRA shall ensure that the final version of any management letters and other reports sent to it by, or on behalf of, the C&AG or the National Audit Office, are copied to the department immediately after receipt. Extracts relating specifically to Scottish grant-in-aid or Scottish services shall be copied to the Scottish Executive.

3.14 The C&AG may also carry out examinations into the economy, efficiency and effectiveness with which the SRA has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under the National Audit Act 1983.

3.15 The SRA should be aware that receipts and payments from EU bodies are subject to audit by the EU. Where the SRA receives funding from the EU, it may be subject to an

⁹ The Department recognises that it may not be possible for this draft to include consolidated Network Rail accounts.

audit by the European Court of Auditors. It may also be subject to audit from other auditors acting under the terms governing the provision of the financial assistance or the protocol arrangements agreed between Government departments and the EU.

Performance Monitoring

3.16 The SRA shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against its business and corporate plans.

3.17 The SRA should take the initiative in informing the department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to its budgets or objectives.

3.18 The department will undertake, or commission, a comprehensive review of the SRA at least once every five years. This will be carried out in line with guidance issued by the Cabinet Office. The next review of the SRA will take place in 2006/7.

INCOME

Introduction

4.1 The SRA may obtain funds from the following sources:

1. grant-in-aid from the department;
2. grant-in-aid from the Scottish Ministers;
3. any funding for specific projects or services from Passenger Transport Authorities;
4. any funding for specific projects or services from the Greater London Authority or Transport for London;.
5. grants from the EU;
6. receipts (including disposal of certain assets);
7. borrowing;
8. fees and charges; and
9. investment income.

Payments of grant-in-aid, draw-down procedures and cash carry-forward arrangements

4.2 Grant-in-aid will be payable by the department to the SRA to meet costs appropriate to the SRA's purposes. Grant-in-aid will be payable by the Scottish Executive to the SRA in respect of Scottish services. The maximum amount of grant-in-aid available from the department in each year is the amount voted by Parliament in the Main Supply Estimate, subject to any provision in approved Supplementary Estimates.

4.3 Grant-in-aid must be applied only to the purposes set out in the relevant, published Supply Estimates. Grant-in-aid from the Scottish Ministers must be applied only to the purposes set out in the relevant Budget Act of the Scottish Parliament and in the documents accompanying the Bill leading to that Act.

4.4 Payments of grant-in-aid will normally be made according to demonstrated need following receipt of a grant-in-aid claim from the SRA. The department will draw down sufficient cash from its Request for Resources to allow it to meet the SRA's agreed grant-in-aid requirement. To enable the department to best manage the cash draw down, the SRA should submit grant-in-aid claims to the department by the end of the second week of each payment period. In calculating grant-in-aid requirements, the SRA shall take into account any cash surpluses or losses arising from previous grant-in-aid claims. The SRA's grant-in-aid claims to the department should set out:

1. the grant-in-aid from the department that it has received during the current financial year;
2. the income, from sources other than grant-in-aid, that it has received during the current financial year;
3. the cash remaining in the SRA; and
4. the SRA's cash grant-in-aid requirement at the end of the payment period concerned and at the start of the subsequent period including the date(s) on which the grant-in-aid is required.

4.5 The SRA should submit grant-in-aid claims to the Scottish Executive to a similar, agreed timescale. In calculating these grant-in-aid requirements, the SRA shall take into account any cash surpluses or losses arising from previous grant-in-aid from the Scottish Ministers. The SRA's grant-in-aid claims to the Scottish Executive should set out:

1. the grant-in-aid from the Scottish Ministers that it has received during the current financial year;
2. any grant-in-aid from the Scottish Ministers remaining in the SRA ; and
3. the SRA's cash grant-in-aid requirement from the Scottish Ministers for the period concerned including the date(s) on which the grant-in-aid is required.

4.6 Grant-in-aid claims shall be signed by the SRA's Accounting Officer, or by another person notified by him/her to the department, or in relation to Scottish grant-in-aid to the Scottish Executive, as authorised to sign on his/her behalf.

4.7 Grant-in-aid paid shall be adjusted following consultation between the department and the SRA, and specifically in relation to Scottish grant-in-aid and Scottish services the Scottish Executive, where previous claims were not in accordance with the rules and principles in this Financial Framework, any adjustment being made against the subsequent payment of grant-in-aid.

Estimates & End-Year Flexibility (EYF)

4.8 The department shall notify the SRA of the arrangements and timetable for the Main and Supplementary Estimates as soon as possible after they are established. The Scottish Executive shall notify the SRA of the arrangements and timetable for the Budget (Scotland) Bill and Budget Revisions as soon as possible after they are established. The SRA shall provide such further information concerning its budget and requirements for grant-in-aid as may be required by the department for the purpose of Supplementary Estimates and, specifically in relation to Scottish services and Scottish grant-in-aid, as may be required by the Scottish Executive for the purpose of Budget Revisions.

4.9 The treatment of EYF arising from resources available to the SRA will be notified to the SRA by the department, following discussion with the SRA.

Receipts & Railways Land

4.10 The SRA is free to retain any gifts, bequests or similar donations made to the it in accordance with *Government Accounting*. These will be treated as receipts. Before proceeding in this way, the SRA should consider if there are any associated costs, or conflicts of interest, in doing so. The SRA shall keep a record of gifts, bequests and donations received, and of their estimated value and whether they are disposed of or retained. Any gift or bequest of a significant monetary value will be reflected appropriately in the SRA's accounts.

4.11 Unless provided for in paragraphs 4.11-4.14 below, the SRA shall offset all receipts against its Departmental Expenditure Limit (DEL) and grant-in-aid claims. They will not provide additional DEL spending power.

- 4.12 The SRA may retain without any offsetting reduction in grant-in-aid claims:
- all receipts that are included in its budget agreed with the department (e.g. passenger performance receipts, EC grants) up to, but not in excess of, the budgetary levels assumed, except for receipts from the sale of railways land (which are provided for in paragraph 4.14 below);

- unbudgeted capital and revenue receipts obtained from its activities, up to an aggregated value of £1m, for reuse in the financial year in which they arise¹⁰; and
- any other receipts agreed with the department in writing¹¹.

4.13 In accordance with section 57A(2) of the Railways Act 1993 receipts from penalties levied by the Rail Regulator will be paid to the SRA. The SRA may retain all receipts from those penalties, and from penalties levied by the SRA, for use on additional investment in passenger benefits. The SRA may invest receipts from penalties in such benefits up to a maximum of £10 million in any one financial year. For such investment over £10 million in any one financial year, the SRA must seek the consent of the Secretary of State.

4.14 The SRA shall offset receipts from the sale of railway land against its grant-in-aid requirements and identify this in the associated grant-in-aid claims. The department and the Treasury will ensure that, at the appropriate time, the SRA receives additional grant-in-aid and DEL spending power for investment in passenger benefits to the same value as the receipts received by the SRA and offset against grant-in-aid.

4.15 Paragraphs 9.1-9.4 of Annex A to the D&G set out the framework within which the SRA should take decisions to dispose of railway land. The SRA shall maintain an accurate and up-to-date register of any railway land it holds. Receipts from the disposal of railway land will, subject to Parliamentary approval, be appropriated in aid by the Department. The SRA's grant-in-aid provision from the Department will then be increased by the value of the receipts appropriated, up to the levels assumed in the SRA's budget.

4.16 If the SRA's income from receipts (other than those received in accordance with section 57A(2) of the Railways Act 1993) is, or is expected to be, less than provided for in the SRA's budget for the financial year in question it should, unless otherwise agreed with the department, be offset by a corresponding reduction in gross expenditure so that authorised provision and forecasted grant-in-aid requirements are not exceeded.

Assets (other than railway land)

4.17 The SRA shall maintain an accurate and up-to-date register of its fixed assets that are not railway land. It should dispose of such assets that are surplus to its requirements. Assets shall, except as agreed otherwise in writing by the department, be sold at market price.

4.18 If the SRA proposes to dispose of an asset, or group of assets, which are not railway land that has been purchased, improved or developed with Government funds, and: the receipts amount to more than £1m; or the disposal has unusual features of which Parliament should be aware; the proceeds should be surrendered to the department (except where the prior approval of the department, who will consult the Treasury as necessary, has been obtained). Where such proceeds are surrendered, the department will consider any case made to it for an equivalent increase in the SRA's grant-in-aid provision.

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

¹⁰ Receipts in this category provide additional DEL spending power. Capital receipts may be used only for expenditure on categories included in the SRA's capital DEL. Receipts of resource for current expenditure may be used for expenditure on categories included in either the resource DEL or the capital DEL. Receipts of resources for investment may be used for expenditure on categories included in either the DEL for resource for investment or the capital DEL.

¹¹ Receipts in this category provide additional DEL spending power.

4.19 The conditions under which the department will lend to the SRA, or give consent to borrowing by the SRA from others, are set out in paragraphs 8 and 9 of Schedule 14 to the Act. Within the restrictions set out there, the SRA may borrow from the Secretary of State. With the written consent of the Secretary of State, the SRA may borrow, temporarily, from outside the Government sector.

4.20 A general consent may be given by the Secretary of State, under paragraph 8(4) of Schedule 14 to the Act, for overdrafts and for short-term loans. Any consent will specify the maximum amount that can be borrowed, the loan period and such other conditions as the Secretary of State may specify. Under paragraph 10 of Schedule 14 to the Act, the SRA may request the Secretary of State to guarantee loans it has taken out from persons other than the Secretary of State, subject to controls by Parliament and by the Treasury set out in paragraph 10 of Schedule 14.

4.21 The SRA shall obtain the prior approval of the department before entering into a property or finance lease with a value of over £1,000,000 per annum or of over 5 years' duration. The SRA must have DEL provision for finance leases and other transactions that are in substance borrowing.

4.22 The SRA shall not, without the department's written consent (which may, with the agreement of the Treasury, be granted in a general form), lend money, charge any asset or security, give any guarantee or indemnities or letter of comfort, or create any other contingent liability (as defined in chapter 26 of *Government Accounting*), whether or not in a legally binding form. Departmental Expenditure Limit (DEL) cover is required for the net change in borrowing outstanding over the financial year and the amount of grant-in-aid available to the SRA will be reduced accordingly. All financial guarantees and indemnities given by the SRA under section 211 of the Act must be adequately covered against resources that have not been drawn down.

Deposits and payments

4.23 Throughout the year the SRA shall keep cash, cash equivalents and bank balances accumulated from grant-in-aid or other Exchequer funds at the minimum level consistent with efficient operations. Any cash surplus in excess of £250,000, which the SRA considers is likely to remain a surplus for at least thirty days, must be placed on deposit until it can be used. Any interest earned by the SRA on its assets should be given the same budgeting treatment as the cost of capital charge on the assets.¹² Any interest earned on cash balances arising from grant-in-aid or other Exchequer funds shall be treated as a receipt from an Exchequer source and grant-in-aid may be reduced by the equivalent amount. The SRA shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

4.24 Under paragraph 13 of Schedule 14 to the Act, the Secretary of State may, after consultation with the Treasury and the SRA, give a direction to the SRA requiring payments to be made to him or her.

Fees and charges

4.25 Fees and charges made for facilities and services provided by the SRA shall be determined in accordance with the Treasury's Fees and Charges Guide.

¹² Under SR2000 budgeting rules the cost of capital charge and any interest receipts on most DEL financed assets are in resource AME. From SR2002 such charges and receipts will move into resource DEL.

NON-STAFF EXPENDITURE & GENERAL

Financial Control

5.1 The SRA's expenditure shall score in the department's budget. Grant-in-aid from the Scottish Ministers will score in the Scottish Executive's budget. Following the submission of the SRA's revised draft budget, in accordance with paragraph 3.4, the department will allocate to the SRA annual budget limits for resource for current expenditure, resource for investment, capital and running costs. Those limits shall not be exceeded without the prior approval of the department.

5.2 The resources voted by Parliament to the department for payments of grant-in-aid to the SRA act in effect as a limit on the amount of cash which may be drawn down by the SRA. The amount of grant-in-aid paid by the department may not exceed the amount of resources voted by Parliament. The SRA must therefore ensure that its cash requirements do not exceed the amount of resources voted by Parliament either.

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

5.4 For the purposes of the Government Expenditure Monitoring System (GEMS), the SRA's budgets will be divided into categories in accordance with the latest guidance issued by the department. Within six working days of the start of each month, the SRA shall provide to the department actual expenditure data for the previous month and forecast expenditure data for the remaining months of the current financial year.

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

Exceptions to delegated authority

5.6 The SRA¹³ shall discuss with the department any novel, contentious or repercussive features likely to arise on a particular piece of business at an early stage. The SRA must obtain the approval of the department before:

1. making any commitment to incur expenditure or incurring any expenditure for any purpose which is or might be considered novel or contentious or which could have significant future cost implications, including on staff benefits;
2. making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department; and
3. making any changes of policy or practice which have wider financial implications (e.g. because it might prove repercussive among other public

¹³ Including JVs

sector bodies) or which may significantly affect the future level of resources required.

5.7 The SRA shall consult the Scottish Executive before making any change that may significantly affect the future level of Scottish grant-in-aid required for Scottish services.

Subsidiaries and JVs

5.8 The agreements or other arrangements which the SRA has the power to enter into under section 211 of the Act include agreements or other arrangements which provide for the SRA to invest in bodies corporate. Section 211 of the Act allows the SRA to form, as well as to acquire an interest in, a body corporate.

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

5.10 The relationship between the SRA and each of its JVs shall be set out clearly in a framework document agreed with the department. This should include provisions concerning the funding, expenditure, accounts and auditing of JVs and, where appropriate, delegations from the central SRA. A copy of the framework document should be sent to the department. The department will not normally give its consent to the acquisition or formation of any new JV in accordance with paragraph 5.9, unless a draft framework document has been produced.

Appraisal & monitoring

5.11 Paragraph 6.10 and section 8 of the D&G sets out a framework for investment by the SRA. Within this context, and the other provisions of this Framework, the SRA is responsible for establishing arrangements for the monitoring, appraisal, approval, and evaluation of programme expenditure to ensure propriety, value for money and to assess the extent to which its actions contribute to the targets set out in its Strategic Plan, other strategies, *Transport 2010: The Ten Year Plan* and wider Government objectives.

5.12 The SRA's arrangements may be subject to scrutiny by the department and shall:

1. be consistent with the department's New Approach to Appraisal, the *OPRAF Planning Criteria* and any successor documents;
2. take account of any further general and specific guidance on project appraisal and evaluation given by the department;
3. be agreed in advance with the department in accordance with paragraph 8.6 of the D&G;
4. inform the development of future rail policy;
5. include identification and implementation of a five year rolling programme of evaluations, which reflect the priorities for evaluation of the SRA and department;
6. allow for the regular publication of data, and the findings of modelling research studies and evaluations;
7. be published within a timescale agreed with the department; and
8. be updated at least annually.

Approval: franchising & major projects

5.13 Sections 9 and 10 of the D&G are concerned with the award and management of passenger franchises. Paragraphs 9.7 and 10.1 require the SRA to secure the Secretary of State's agreement before letting new, or extending, franchises.

5.14 The SRA will not commit to any individual major Project exceeding a cumulative capital cost of £1 billion without the approval of the Secretary of State.

5.15 In connection with research and pre-feasibility costs on new routes or upgrades to existing routes, the SRA will not commit to expenditure on any individual project above a cumulative threshold of £10 million without the approval of the Secretary of State.

5.16 Approval for major projects will be subject to affordability within the SRA's existing provision and contingent on compliance with an agreed framework for the SRA's evaluation, appraisal and monitoring of projects. The framework, to be agreed by the department by the end of May 2003, is to ensure that the SRA, or those managing projects on their behalf, have a robust process in place for approving and independently reviewing major projects at key stages during the project's life cycle. This process shall be at least as rigorous as the Office for Government Commerce's Gateway Process for government procurement.

Approval: grant schemes

5.17 The SRA shall agree with the department proposals for the structure, format and approach to evaluation of new, or significant amendments to existing, overarching schemes for the disbursement of grant (including for grants for freight, the Rail Performance Fund and the Rail Passenger Partnership). Before introducing, or amending any such scheme, the SRA shall satisfy itself that its proposed approach is consistent with EU law. Wherever appropriate, the SRA should ensure that organisations receiving grants or loans are required to make their books and records in relation to the grants or loans readily available for inspection by the SRA, the department and the C&AG.

Europe

5.18 The SRA¹⁴ shall consult the department at an early stage about the possible EU implications of any relevant proposed course of action, including all grant schemes, or other proposals of the SRA, with potential state aid, procurement and/or competition implications. Where appropriate, the SRA shall seek via the department the necessary approval decision from the European Commission.

Banking

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

¹⁴ Including JVs

Internal Audit in the SRA

5.20 The SRA shall maintain effective arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards. The SRA shall establish an Audit Committee as a committee of the Board in accordance with the Cabinet Office's *Guidance on Codes of Practice for Public Bodies*.

5.21 The department may assess the effectiveness of the SRA's internal audit arrangement by periodic peer reviews by its Internal Audit Service and by scrutiny of planning and reporting documents prepared by the SRA's Head of Internal Audit.

5.22 The SRA's Head of Internal Audit shall - as soon as possible after they have been approved/considered by the SRA's Accounting Officer and Audit Committee - forward to the department's Head of Internal Audit, and copy to Railways: Passenger & Freight Division, copies of the SRA's:

1. internal audit terms of reference and any amendments;
2. long term audit plans;
3. annual programme of audit work;
4. Head of Internal Audit's annual report and opinion on the adequacy and effectiveness of the SRA's internal control systems;
5. quarterly lists of internal audit reports;
6. annual report on fraud and theft suffered¹⁵; and
7. quarterly summaries of the key points arising from each of its internal audit reports.

Risk management and insurance

5.23 The SRA¹⁶ will ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy. Guidance is contained in the Treasury publication *Management of Risk: A Strategic Overview*.

5.24 The SRA shall send a copy of its strategic risk register to the department¹⁷ as soon as possible following every meeting of the audit committee at which a revised version is considered and in any event at least every 12 months.

5.25 The SRA may take out or continue to take out:

1. insurance that was previously approved by the department for specific purposes and which has transferred to the SRA;
2. third-party insurance required by the Road Traffic Acts;
3. other insurance that is a statutory obligation;
4. directors and officers insurance;
5. insurance required to fulfil the SRA's operator of last resort functions under section 30 of the Railways Act 1993; and
6. insurance for other purposes for which the prior approval of the department, who will consult the Treasury as necessary, has been obtained.

¹⁵ This should be received in the department by the end of May. Reports should be in accordance with chapter 5 of *Government Accounting*.

¹⁶ including JVs

¹⁷ This should be sent to Railways: Passenger & Freight Division

Fraud and theft

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

Losses, write-offs, special payments and gifts

5.27 Proposals for making gifts or other special payments including write-offs outside the SRA's delegated limits set out in Annex A must have the prior approval of the department. Gifts to staff are subject to DAO (GEN) 13/01. The Chief Executive as Accounting Officer has authority – which may be delegated - to write off losses and make special payments to the value shown in Annex A, providing all reasonable attempts at recovery have proved unsuccessful. For cases that fall outside these conditions, he or she shall seek the authority of the department before taking any action.

5.28 The SRA shall maintain a record of all losses written off, special payments and gifts made, detailing the circumstances of the event and stating, where appropriate, the action taken to prevent a recurrence; a record of gifts made should also be maintained. These records shall be available to the department for inspection on request and a copy formally provided annually no later than the end of May each year.

Procurement

5.29 The SRA's procurement policies should conform to relevant Treasury guidance documents including *Procurement Policy Guidelines*. Account should also be taken of any relevant EU or other international procurement rules. All procurement of works, equipment, goods and services should be based on value for money, including quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal should be carried out before procurement decisions are taken. Contracts should normally be placed on a competitive basis. Proposals to let single-tender or restricted contracts shall be subject to a delegated authority, as set out in Annex A. The SRA shall maintain a database detailing all call-off framework panel assignments, who they are assigned to and the reason why an allocation is made. The contents of this database should be made available to the Department on request and a summary report provided annually. The SRA shall send the department, as soon as possible after the end of the financial year, an exception report for that year explaining any contracts below the delegated thresholds set out at Annex A (but above £1,000 in value) for which competitive tendering was not employed.

5.30 The SRA shall take all reasonable steps to appraise the financial standing of any firm or body with which it intends to enter into a contract.

Timeliness in paying bills

5.31 The SRA shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within thirty days, as provided for in Annex 16.2 of *Government Accounting*. The SRA shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890).

STAFF EXPENDITURE

General

6.1 Subject to the provisions of this Financial Framework, and as provided for in Schedule 14 to the Act, the Chief Executive, reporting to the Board, will have responsibility for the recruitment, retention and motivation of the SRA's staff within the normal public sector framework. The SRA should ensure that:

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

6.2 The SRA shall ensure that it has proper mechanisms for monitoring and controlling staff resources. The SRA shall periodically review the outputs of these mechanisms.

Recruitment

6.3 When recruiting, the SRA shall select staff on merit on the basis of fair and open competition, save where an appointment is justified for exceptional reasons relating to the needs of the SRA and the proven ability of the person proposed for appointment. The SRA is free to determine whether staff (other than staff covered by paragraph 6.10 below) should be employed on fixed-term or open-ended contracts.

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

Pay, Grading & Appraisal

6.5 The SRA's pay and grading systems will need to match its business needs, normally placing emphasis on linking pay and performance. The prior approval of the department will be required for its pay and grading systems, for any subsequent significant change to such systems¹⁸, and for annual remits for the SRA's pay settlements. Pay remits will need to comply with Government policy on public sector pay and cover all staff employed by the SRA excluding civilian staff of the BTP. The SRA will be expected to produce a pay bargaining plan, if it intends to enter into negotiations on pay issues. The SRA shall not regrade all posts at a particular level without the prior agreement in writing of the department.

¹⁸ including any proposal to create a new post at, or to regrade a post to, a level which is not already represented in the staff structure;

6.6 The SRA shall keep its staff appraisal system and performance pay scheme under review. The department's approval is required for any substantive changes.

6.7 The prior approval of the Secretary of State will be required for the appointment, pay, terms and conditions of the Chief Executive. The prior approval of the department's Permanent Secretary will be required for the pay, terms and conditions of other senior staff who are members of the SRA's Executive (whether appointed on a permanent or temporary basis) and for the creation of new posts at that level.

6.8 Subject to other provisions of this Financial Framework, the SRA shall ensure that the appropriate provisions concerning non-pay-related staff matters (such as recruitment and conduct) are in place. Terms and conditions determined by the SRA shall conform to any relevant rules or principles notified to the SRA by the department.

Pensions

6.9 The SRA will be included in the Principal Civil Service Pension Scheme (PCSPS) and may adopt the PCSPS as its occupational pension scheme. The SRA may also participate in the British Transport Police Force Superannuation Fund (in respect of British Transport Police Officers and, where appropriate, relevant civilian staff) and in the Railways Pension Scheme (in respect of staff who transferred from predecessor organisations and directly from the rail industry). The SRA may make alternative arrangements for providing occupational pension benefits, but should seek the approval of the department to those arrangements before any announcement or commitment is made.

SRA contributions to personal pension arrangements shall be limited to the statutory minimum, that is the difference between the contracted in and contracted out National Insurance Contributions.

6.10 In respect of all trust based pension schemes where the SRA is the designated or principal employer (i.e. excluding the PCSPS), the SRA will send to the department a copy of each valuation report as soon as it is available from the trustee. The SRA will also consult the department prior to the exercise of its employer powers with regard to the distribution of surplus assets or the making good of any shortfall.

Severance

6.11 The SRA will be required to operate severance arrangements that are subject to the approval of the department. Guidance on compensation can be found in *Compensation for Premature Termination of Appointment of staff of Non-Departmental Public Bodies*.

Department for Transport

14 April 2003

ANNEX A DELEGATIONS

Losses, Claims, Gifts & Special Payments.

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

1. write off individual losses up to the value of £50,000;
2. write off individual losses relating to bad debts previously due to the British Railways Board up to the value of £100,000;
3. settle claims up to £2m where it has accepted an adviser's recommendation or proposes to pursue a lower cost option; and
4. make a single gift or special payment up to the value of £1,000. Such gifts and special payments shall not exceed a total value of £25,000 in any one year.

Contracts

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

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

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