



**Sustainable**  
Development Commission

# Framework Document for the SDC

November 2009

<b>VERSION CONTROL: 13 November 2009</b>
--

## **FRAMEWORK DOCUMENT FOR THE SUSTAINABLE DEVELOPMENT COMMISSION**

### **INDEX**

#### **Purpose of the NDPB**

1. Statement of:
  - the NDPB's statutory (and/or other) duties
  - its strategic aims
  - any mission statement or equivalent.

#### **Governance and accountability**

2. Statement of the legal origin(s) of the NDPB's powers and duties.
3. Statement of the aims for the NDPB set by the sponsor department's minister and any other ministers.
4. Statement of which minister will account for the NDPB's business in Parliament.
5. Statement of the responsibilities of the Accounting Officer in the sponsor department, especially :
  - regular monitoring and general oversight over the NDPB's business
  - accounting for any disbursements of grant to the NDPB
  - sponsorship of the NDPB's aims in central government
  - relationship with any other department(s) with an interest in the NDPB's business.
6. Statement of the responsibilities of the NDPB's Accounting Officer (usually the chief executive) to account to:
  - Parliament
  - the sponsor department
  - the NDPB's board
  - other stakeholders.
7. Statement of the responsibilities of the NDPB's:
  - board
  - Chair
  - individual board members.

8. Specification of the essential publications of the NDPB, including
  - annual report and resource accounts
  - any statutory reports
  - statement of the NDPB's corporate governance arrangements
  - any bespoke requirements for the NDPB, eg related to its business sector.
9. Statement of internal audit arrangements, including access by sponsor department's internal audit service.
10. Statement of the external audit arrangements for the NDPB, including:
  - the auditor (usually the Comptroller & Auditor General (C&AG))
  - the accounts direction (issued by the Secretary of State with the concurrence of the Treasury)
  - value for money audits by the C&AG.

### **Management and financial responsibilities**

11. Statement that the NDPB should follow the standards, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to its sponsor department in the first instance. Specification of any standard exceptions to or elaborations of this general requirement.
12. Details of corporate governance arrangements.
13. Details of risk management procedures and arrangements.
14. Requirements for developing and revising the NDPB's corporate plan, with the expected frequency, and arrangements for clearance with the sponsor department.
15. Details of budgeting procedures.
16. Details of the terms and conditions of payment of the grant-in-aid and any ring-fenced grants to the NDPB made by the sponsor or other departments.
17. Details of reporting to the sponsor department, with the expected frequency, including:
  - the NDPB's main activities;
  - its financial performance;
  - its expenditure against its DEL and AME budget allocations;
  - other monitoring information;
  - working level liaison arrangements.

18. Specification of the activities of, and changes within, the NDPB which require clearance from the sponsor department, including delegated limits for new activities and capital projects.
19. NDPB staff.
20. Arrangements for review of the NDPB's status.
21. Procedures for winding up.

**Appendix 1** List of delegated authorities

**Appendix 2** Compliance with government-wide corporate guidance and instructions

**Appendix 3** Memorandum of Understanding between the Scottish Government and the SDC

**Appendix 4** Memorandum of Understanding between the Welsh Assembly Government and the SDC

**Appendix 5** Memorandum of Understanding between the Northern Ireland Assembly and the SDC

**Appendix 6** Outline timeline for the SDC Business Plan

## **SUSTAINABLE DEVELOPMENT COMMISSION (SDC) FRAMEWORK DOCUMENT**

1. This framework document has been drawn up by Defra and the Devolved Administrations in consultation with the Sustainable Development Commission (SDC). This document sets out the broad framework within which the SDC will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by Defra, the relevant Departments of the Devolved Administrations, and the SDC. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament, National Assembly for Wales, Scottish Parliament Information Centre, and the Northern Ireland Assembly Library, and made available to members of the public on the SDC's website.

### **Purpose of the SDC**

2. The SDC is an executive non-departmental public body (NDPB) established as a company limited by guarantee to be the Government's independent advisor on sustainable development. Its functions relate to all parts of the United Kingdom, and therefore, it addresses matters which are the responsibility of the UK Government and matters which are the responsibility of the Devolved Administrations.
3. Its role is to act as a catalyst for change across government by consistently demonstrating how the principles of sustainable development can be used to help find lasting solutions to some of the crucial issues of our times.
4. The SDC's strategic aims are to help the UK Government and Devolved Administrations to:
  - 4.1. Build the organisational capability – the attitudes, knowledge, skills, and resources – to put sustainable development into practice through their policies and programmes;
  - 4.2. Achieve breakthrough in the areas of policy which will have the greatest immediate impact upon progress towards sustainability;
  - 4.3. In some administrations, be held to account for their progress in delivering sustainable development, and mainstream this scrutiny function within other public sector monitoring and audit bodies.

### **Governance and Accountability**

#### **Overall aims**

5. The Secretary of State, and Ministers of the Devolved Administrations, have agreed that the primary aim of the SDC should be to contribute to the policy goal of facilitating and accelerating progress on sustainable development, acting as an adviser, advocate and in a "watchdog" or scrutiny role to government on ways to achieve environmental, social and

economic progress in an integrated way and with a view to improve quality of life for future generations. In particular this means:

**Advisory:**

- drawing on expert opinion to provide advice to Ministers and others across Government; and
- producing evidence-based public reports on important environmental, social and economic issues.

**Capacity-building:**

- establishing good working relationships with key parts of government to build understanding and skills for sustainable development; and
- encouraging, stimulating and sharing good practice between all the UK administrations.

**Advocacy:**

- encouraging a climate of opinion in which sustainable development can become a reality, promoting wider public debate and shared learning;
- developing effective partnerships with key networks and organisations to deliver best practice in sustainable development; and
- responding to Government policy initiatives.

**Watchdog/Scrutiny:**

- Looking at Government's progress in delivering the UK Sustainable Development Strategy;
  - For the UK Government: reporting publicly on the effectiveness of Government in promoting sustainable development in policy-making and in the way it runs its operations and procurement, in particular its progress on the Sustainable Operations on the Government Estate targets.
  - For the Scottish Government: reporting publicly on the effectiveness of the Scottish Government in promoting sustainable development in policy-making.
  - For the Welsh Assembly Government: to provide oversight and advice on progress in delivering sustainable development in Wales to Welsh Ministers and officials, in particular through contributions to the SD Scheme, the Annual Report and statutory Effectiveness Review.

Ministerial responsibility

6. The Prime Minister appoints the Chair and Commissioners, on recommendations from the Defra Secretary of State, the First Minister for Scotland, the First Minister for Wales and the First Minister and deputy First Minister for Northern Ireland. SDC Board members are appointed as set out in the Articles and Memorandum of Association of the SDC.

7. The Cabinet Office is formally the sponsoring Department of the SDC in the UK, though in practice, day-to-day sponsorship is delegated to Defra. The Secretary of State for Environment, Food and Rural Affairs will account for the SDC's UK-wide business in Parliament.
8. The Cabinet Secretary for Rural and Affairs and the Environment will account for the SDC's activities that are specific to Scotland or funded mainly by resources from the Scottish Government.
9. The First Minister, or the Minister delegated by him or her, will account for the SDC's activities that are specific to Wales or funded mainly by resources from the Welsh Assembly Government.
10. The First Minister and deputy First Minister will account for the SDC's activities that are specific to Northern Ireland or funded mainly by resources from the Northern Irish Executive.

#### Sponsor departments' Accounting Officer's specific accountabilities and responsibilities

11. Defra's Accounting Officer has designated the Chief Executive as the SDC's Accounting Officer. (The respective responsibilities of the Accounting Officer and Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the SDC's Accounting Officer on appointment.)
12. For England and the United Kingdom as a whole, Defra's Accounting Officer is accountable to Parliament for the issue of any grant-in-aid to the SDC. Defra's Accounting Officer is also responsible for advising the responsible minister:
  - On an appropriate framework of objectives and targets for the SDC in the light of the department's wider strategic aims and current PSA and DSOs;
  - On an appropriate budget for the SDC in the light of the sponsor department's overall public expenditure priorities; and
  - How well the SDC is achieving its strategic objectives and whether it is delivering value for money.
13. In Scotland, the Accountable Officer for the Rural Affairs and the Environment Portfolio is accountable to the Scottish Ministers and Scottish Parliament for the issue and use of any grant or grant-in-aid to the SDC. The Portfolio Accountable Officer is also responsible for advising the responsible Minister:
  - On appropriate objectives and work programme for the SDC in Scotland in light of Scottish Government's aims on sustainable development and wider context;
  - On the appropriate budget for the SDC in the light of the Scottish Government's overall public expenditure priorities; and
  - How well the SDC is achieving its strategic objectives and whether it is delivering value for money.
14. In Wales, the Additional Accounting Officer (AAO) for the Sustainable Futures Group of the Welsh Assembly Government is accountable to Welsh Ministers and the National

Assembly for Wales, for the issue and use of any grant-in-aid to the SDC. The AAO is also responsible for advising the responsible Welsh minister:

- On appropriate objectives and work programme for the SDC in Wales in light of the Welsh Assembly Government's aims on sustainable development and wider context;
- On the appropriate budget for the SDC in the light of the of the Welsh Assembly Government's overall public expenditure priorities; and
- How well the SDC is achieving its strategic objectives and whether it is delivering value for money.

15. In Northern Ireland, OFMDFM's Accounting Officer is accountable to Parliament for the issue of any grant-in-aid to the SDC. OFMDFM's Accounting Officer is also responsible for advising the responsible ministers:

- On an appropriate framework of objectives and targets for the SDC in the light of the department's wider strategic aims and current PSA and DSOs;
- On an appropriate budget for the SDC in the light of the sponsor department's overall public expenditure priorities; and
- How well the SDC is achieving its strategic objectives and whether it is delivering value for money.

16. Defra's Accounting Officer, the Portfolio Accountable Officer in Scotland, the sponsor Department's AAO in Wales, or the OFMDFM's Accounting Officer in Northern Ireland respectively, are also responsible for ensuring arrangements are in place in order to:

- monitor the SDC's activities on a continuous basis;
- address any significant problems in the SDC, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and SDC objectives and activities;
- Inform the SDC of relevant government policy in a timely manner; and
- bring concerns about the activities of the SDC to the full SDC board, requiring explanations and assurances that appropriate action has been taken.

17. The Sustainable Development Programme, in Defra, the Greener Scotland Unit in the Scottish Government, the Sustainable Development Branch in the Welsh Assembly Government and the Sustainable Development Unit in Northern Ireland are the primary contacts for the SDC concerning its UK wide activities. For activities only relevant to one or some of the administrations the respective team or teams will be the primary contact. They are also the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the SDC. They also support the sponsor department's Accounting Officer on his or her responsibilities toward the NDPB.

## **Responsibilities of the Chief Executive as SDC Accounting Officer**

### **General**

18. The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the SDC. In addition, he or she should ensure that the SDC 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 to Managing Public Money.

### **Responsibilities for accounting to Parliament**

19. 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;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Statement on Internal Control regarding the system of internal control, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the NDPB are established and made widely known within the NDPB;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Public Accounts Committee, the Public Audit Committee of the Scottish Parliament or in Wales the National Assembly for Wales Audit Committee, or the Public Accounts Committee of the Northern Ireland Assembly on the SDC's stewardship of public funds.

In Scotland, Wales and Northern Ireland, the SDC may also be required to appear before other Committees of the Scottish Parliament, National Assembly for Wales or the Northern Ireland Assembly to give evidence on matters within its terms of reference. Welsh Ministers may refer matters to the Commission for it to address at their discretion.

### **SDC responsibilities to sponsor Departments**

20. Particular responsibilities include:

- establishing, in agreement with Defra and Devolved Administrations, the SDC corporate and business plans in the light of wider strategic aims, and current PSAs, or other cross-Government priorities;

- informing the departments of progress in helping to achieve the departments' policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the departments; that the departments are notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the departments in a timely fashion.

### Responsibilities to the board

21. The Chief Executive is responsible for:

- advising the board on the discharge of the SDC board's responsibilities as set out in this document, in the memorandum and articles of association and in any other relevant instructions and guidance that may be issued from time to time;
- advising the board on the SDC's performance compared with its aim 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 3.8.5 of Managing Public Money if the board, or its Chair, 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. If such matters involve the use of funds provided by Defra or the Devolved Governments' Ministers the AAO of the sponsor Department should be notified so that appropriate action can be taken, if necessary including notifying the Accountable Officers and Auditors General in Wales, Scotland and Northern Ireland.

### Responsibilities of the SDC Board

22. 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.

23. The board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the SDC consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State and relevant ministers in the Devolved Administrations;

- ensuring that the work programmes in all parts of the UK are completed effectively and economically within available resources and in accordance with the grant-in-aid provision from each sponsor department;
- ensuring that the responsible ministers are kept informed of any changes which are likely to impact on the strategic direction of the SDC 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 the sponsor departments, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the board takes into account guidance issued by the sponsor departments;
- ensuring that the board receives and reviews regular financial information concerning the management of the SDC; is informed in a timely manner about any concerns about the activities of the SDC; and provides positive assurance to the sponsor departments 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;
- appoint, with the responsible ministers' approval, a Chief Executive and, in consultation with the sponsoring departments, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources.

### **The Chair's Responsibilities**

24. The Chair is responsible to the identified ministers. Communications between the SDC board and the responsible ministers should normally be through the Chair, or, in Devolved Administrations, through the Vice-Chairs as appropriate. He or she is responsible for ensuring that policies and actions support the responsible ministers' and 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 SDC.

25. In addition, the Chair has the following leadership responsibilities:

- formulating the board's strategy and consulting with UK Government Departments and Devolved Administrations prior to selecting and commencing its work programme and in the course of delivering it;
- ensuring that the board, in reaching decisions, takes proper account of guidance provided by the responsible ministers or the sponsor departments;
- 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.

26. The Chair also has an obligation to ensure that:

- the work of the board and its members is reviewed and is working effectively;
- the board has a balance of skills appropriate to directing the SDC'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;
- the responsible ministers are advised of the SDC's needs when Commissioner vacancies arise;
- he or she assesses the performance of individual board members and Commissioners annually and in particular when being considered for re-appointment;
- there is a code of practice for board members in place consistent with the Cabinet Office model Code.

### **Individual Board Members' Responsibilities**

27. 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;
- act in good faith and in the best interests of the SDC.

### **Annual Report and Accounts**

28. The SDC must publish an annual report of its activities together with its audited accounts after the end of each financial year. The SDC shall provide the departments with its finalised (audited) accounts by 30 June each year.

29. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FRoM);

- outline main activities and performance during the previous financial year and set out in summary form forward plans.
30. Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the SDC's website, in accordance with the guidance in the FReM. A draft of the report should be submitted to the department and Devolved Administrations two weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the FReM.

### **Internal audit**

31. The SDC shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS) ([http://www.hm-treasury.gov.uk/...gia\\_guidance.cfm](http://www.hm-treasury.gov.uk/...gia_guidance.cfm));
- ensure the sponsor departments are satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an Audit Committee of its board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the SDC Head of Internal Audit opinion on risk management, control and governance as soon as possible to the sponsor departments; and
- keep records of, and prepare and forward to the departments an annual report on fraud and theft suffered by the SDC and notify the sponsor departments of any unusual or major incidents as soon as possible.

32. The sponsor departments' internal audit services have a right of access to all documents prepared by the SDC internal auditor, including where the service is contracted out.

### **External audit**

33. The Comptroller & Auditor General (C&AG) audits the SDC's annual accounts and lays them before Parliament, together with his report.

34. In the event that the SDC has set up and controls subsidiary companies, the SDC will, in the light of the provisions in the Companies Act 2006, ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The SDC shall discuss with the sponsor department the procedures for appointing the C&AG as auditor of the companies.

35. The C&AG:

- will consult the department and the SDC on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, those held by another party in receipt of payments or grants from the SDC;
- will share with the sponsor departments 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 the Department's responsibilities in relation to financial systems within the SDC;
- will, where asked, provide departments 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.

36. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the SDC 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 SDC shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

37. The Auditor General for Wales has access to documents, information and facilities for purposes of examinations of the SDC's use of resources provided by the Welsh Minister (Under para 17 of Sch 8 of the Government of Wales Act 2006).

### **Right of Access**

38. Defra and the devolved administrations have the right of access to all SDC records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

### **Management and Financial Responsibilities**

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

39. Unless agreed by the sponsor departments and, as necessary, HM Treasury, the SDC shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Sustainable Development Programme in Defra in the first instance. A list of guidance and instructions with which the SDC should comply is in Appendix 2.

40. Once the budget has been approved by the sponsor departments and subject to the responsible ministers' instructions, the SDC shall have authority to incur expenditure approved in the budget without further reference to the sponsor departments, on the following conditions:

- the SDC shall comply with the delegations set out in Appendix 1. These delegations shall not be altered without the prior agreement of the sponsor departments;
- the SDC 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 departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- the SDC shall provide the sponsor departments with such information about its operations, performance on individual projects or other expenditure as the sponsor departments may reasonably require.

## **Corporate Governance**

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

41. The SDC Chair is appointed by the Prime Minister for a term of three years. Other board members are appointed as set out in section 13 of the SDC Articles of Association. Such appointments will comply with the Code of Practice of the Office of the Commissioner on Public Appointments ([www.ocpa.gov.uk/the\\_code\\_of\\_practice.aspx](http://www.ocpa.gov.uk/the_code_of_practice.aspx)), and Defra shall be responsible for ensuring that these standards are met.

### **Board appointments – the Chief Executive and Accounting Officer**

42. The Chief Executive is appointed by the SDC Board, in consultation with the sponsor departments because of his Accounting Officer responsibilities.

### **Composition of the board**

43. In line with the government's Code of Practice on Corporate Governance ([http://www.hm-treasury.gov.uk/...governance\\_corporate.cfm](http://www.hm-treasury.gov.uk/...governance_corporate.cfm)), the board will consist of a Chair, together with up to five executive members that have a balance of skills and experience appropriate to directing the SDC's business. For the SDC there should be members who have experience of its business, sustainable development, private, public and third sectors, corporate services such as HR, communications and engagement and performance management. The board should include two independent non-executive members to ensure that executive members are supported and constructively challenged in their role.

## **Risk Management**

44. The SDC 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 guidance Management of Risk: Principles and Concepts. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud. It should also take all reasonable steps to appraise the financial standing of

any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

### Corporate and Business Plans

45. By **15 December** each year the SDC shall submit annually to the sponsor departments a draft of the corporate plan including financial information covering the year ahead. The SDC shall agree with the departments the issues to be addressed in the plan and the timetable for its preparation. **It will be good practice for the SDC Board to agree the final plan by 15 January, because it will have to be presented to Ministers by 15 February so that there is time for them to approve it before the end of the financial year.** See **Appendix 6** which shows an outline timetable for the business plan). Each plan shall reflect the SDC's statutory duties and, within those duties, the priorities set from time to time by the responsible ministers (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the SDC contributes to the achievement of PSA targets and DSOs in England, to the Scottish Government's Government Economic Strategy, central Purpose and National Outcomes and to the Welsh Assembly Government's broader strategic objectives in Wales; and to the achievement of PSA targets and Sustainable Development Implementation Plan objectives in Northern Ireland.
46. The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall 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 the departments. Subject to any commercial considerations the corporate plan and business plan should be published by the SDC on its website and separately be made available to staff.
47. The following key matters should be included in the documents:
- 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, together with comparable outturns for the previous 2 years, and an estimate of performance in the current year;
  - alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast
  - details of funding expected from all sources; and
  - other matters as agreed between the departments and the SDC.

### Budgeting Procedures

48. Each year, in the light of decisions by the departments on the updated draft corporate plan, the departments will send to the SDC by **15 January**:

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

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

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

50. In England, any grant-in-aid provided by the departments for the year in question will be voted in the department's Supply Estimate and be subject to Parliamentary control.
51. The grant-in-aid will normally be paid in quarterly instalments on the basis of written applications showing evidence of need. The SDC 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 SDC. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.
52. In the event that the department provides the SDC separate grants for specific (ring-fenced) purposes, it would issue the grant as and when the SDC needed it on the basis of a written request. The SDC would provide evidence that the grant was used for the purposes authorised by the department. The SDC shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.
53. In Wales, grant funding is agreed by the Minister for Environment, Sustainability and Housing based on an agreed set of strategic objectives. Funding will normally be paid in quarterly instalments in arrears and will coincide with the submission from the SDC of a quarterly report detailing progress against agreed strategic objectives.
54. Similarly, in Scotland, grant funding is agreed by the Cabinet Secretary for Rural Affairs and the Environment based on an agreed set of strategic objectives. Funding will normally be paid in quarterly instalments in arrears and will coincide with the submission from the SDC of a quarterly report detailing progress against agreed strategic objectives.
55. Similarly, in Northern Ireland, grant funding is agreed by the First Minister and deputy First Minister based on an agreed set of strategic objectives. Funding will normally be paid in quarterly instalments in arrears and will coincide with the submission from the SDC of a quarterly report detailing progress against agreed strategic objectives.

#### Reporting Performance to the Departments

56. The SDC 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 SDC shall inform the sponsor departments 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 SDC's performance shall be formally reviewed by the departments twice a year. The responsible UK minister will meet the Chair and Chief Executive **at least twice a year**. In Wales, the Chair and Chief Executive will meet the responsible ministers annually, with more frequent meetings as agreed between the Minister and the Vice-Chair for Scotland and/or Vice-Chair for Wales respectively. With regards to Northern Ireland and Scotland, the responsible Ministers will meet with the Chair, their respective Vice-Chairs and/or the Chief Executive as agreed between their Vice-Chairs and their responsible Ministers.

#### Providing Monitoring Information to the Department

57. As a minimum, the SDC shall provide the department with information monthly that will enable the department satisfactorily to monitor:

- the SDC's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Combined On-line Information System (COINS).

#### SDC/Department Working Level Liaison Arrangements

58. Officials of the Sustainable Development Programme in Defra will liaise regularly with SDC officials to review SDC financial performance against plans, achievement against SDC targets and the SDC expenditure against its DEL and AME allocations. Defra officials will also take the opportunity to explain wider policy developments that might have an impact on the SDC.

59. Liaison arrangements with officials in the Scottish Government, the Welsh Assembly Government and the Northern Ireland Assembly Executive will be as set out in their respective Memoranda of Understanding agreed with the SDC (see Appendices).

#### Delegated authorities

60. The SDC's delegated authorities are set out in appendix 1. The SDC shall obtain the departments' 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 SDC's annual budget as approved by the departments;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;

- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## **SDC Staff**

### **Broad Responsibilities for SDC Staff**

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

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the SDC performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the SDC 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;
- code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies <http://www.civilservice.gov.uk/modelcode>
- the SDC achieves Investors in People accreditation.

### **Staff Costs**

62. Subject to its delegated authorities, the SDC 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**

63. SDC staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by Defra. The SDC must consult Defra on any proposed changes to the pay remit.

64. If civil service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the staff and to any other party entitled to payment in respect of travel expenses or other allowances, payment shall be made in accordance with the Civil Service Management Code ([www.civilservice.gov.uk/publications/doc/csmc\\_jun06.doc](http://www.civilservice.gov.uk/publications/doc/csmc_jun06.doc)) except where prior approval has been given by Defra to vary such rates.
65. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.
66. The SDC shall operate a performance-related pay scheme that shall form part of the annual aggregate pay budget approved by Defra or the general pay structure approved by Defra.
67. The travel expenses of board members and Commissioners shall be tied to the rates allowed to staff of the SDC. Reasonable actual costs shall be reimbursed.
68. The SDC shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

#### Pensions, Redundancy and Compensation

69. SDC staff shall normally be eligible for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by the SDC, but that employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.
70. Any proposal by the SDC to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the departments. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

#### Review of SDC Status

71. The SDC will be reviewed every 3 years. The next review will be undertaken during the second half of 2011.

#### Review of SDC Framework document

72. This Framework document will be reviewed every 3 years. The date of the next review will be in 2012.

#### Arrangements in the Event that the NDPB is Wound Up

73. The sponsor departments shall put in place arrangements to ensure the orderly winding up of the SDC. In particular they should ensure that the assets and liabilities of the SDC 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 the sponsor departments, as appropriate in line with their contribution.) To this end, the departments shall:
- ensure that procedures are in place in the SDC 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;

- specify the basis for the valuation and accounting treatment of the SDC’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 Accounting Officer should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the sponsor department’s Accounting Officer should sign.

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

Signed..... Date

**On behalf of the Sustainable Development Commission**

Signed..... Date

**On behalf of the Department for Environment, Food and Rural Affairs**

Signed..... Date

**On behalf of the Northern Ireland Executive**

Signed..... Date

**On behalf of the Scottish Government**

Signed..... Date.....

**On behalf of the Welsh Assembly Government**