

Framework Document

2020

The Secretary of State for the Department for Business, Energy and Industrial Strategy  
Salix Finance Ltd.

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### **The Framework Agreement**

- (A) This framework agreement (the “**Framework Agreement**”) is made between:
- (1) The Secretary of State for the Department for Business, Energy and Industrial Strategy (“**BEIS**” or “**the Administration**”); and
  - (2) Salix Finance Ltd, a company limited by guarantee and registered at 6th Floor, 25 Farringdon Street, London, EC4A 4AB company number 05068355) (“**Salix**” or “**the Company**”),
- each a “**party**”, and collectively the “**parties**”.
- The Administration is a Member of Salix. For the avoidance of any doubt, the Administration shall include any successor administration which has taken over the relevant functions of the Administration. Any such successor administration shall be a Member of Salix in place of the original Administration whose functions it acquired.
- (B) This Framework Agreement relates to the Administration's operation and management of Salix and has been prepared on the basis that the Company shall be a delivery mechanism for the Administration (within the ambit of the powers held by the Administration from time to time) for the purposes of the provision of finance towards greenhouse gas reduction or equivalent projects across the United Kingdom.
- (C) This Framework Agreement aims to set out:
- a. how certain governance and decision-making responsibilities of Salix, constituted under the Companies Act 2006, are exercised in the context of a public body; and
  - b. the overall framework within which Salix must operate, including, how the Administration and Salix will interact with each other and the parties hereby agree to operate within its terms.
- (D) This Framework Agreement is signed and dated by the Administration and on behalf of Salix, and copies of the document and any subsequent amendments will be placed in the libraries of both Houses of Parliament and made available to the public on Salix’s website.
- (E) A key principle in developing this Framework Agreement has been the creation of a framework (in line with Treaty principles and guidance set out in the Public Contracts Regulations 2015 (the “**PCR**”) including, but not limited to, the principle of proportionality), within which Salix can fulfil its purposes and carry out its functions with appropriate operational independence.

### **Business of Salix**

#### **1. Mutually agreed strategic aims**

- 1.1. The business of the Company shall be the provision and/or administration of finance to Public Sector Organisations and such other similar organisations to support the development and implementation of greenhouse gas reduction or equivalent

projects (with the object of the reduction of the emission of greenhouse gases and other objectives set out in the climate change / environmental policies of the Members from time to time). The Company shall not receive funding from, or provide funding to, private sector organisations.

- 1.2. Under the Natural Environment and Rural Communities Act 2006, Salix has been acquired by the Administration in order to implement the Company's business in accordance with the climate change and other emissions reduction policies of the Administration from time to time. To that end, it is the intention that the Company shall consider requests from Public Sector Organisations and such other similar organisations for, and allocate finance towards, support of the development and implementation of greenhouse gas reduction or equivalent projects across the United Kingdom.
- 1.3. It is the parties' intention that the Administration's interest in Salix shall satisfy the conditions set out in Regulation 12(1) of the PCR, and that the award of any public contract by the Administration to Salix shall fall outside the scope of Part 2 of the PCR.
- 1.4. The parties agree to review the terms of this Framework Agreement on or around each anniversary of the date of this Framework Agreement, when a new Member application has been accepted and on such other dates as are reasonably proposed by a party to this Framework Agreement. The parties shall agree such variations as are reasonably necessary to reflect the relevant policy of the Administration. All variations shall be made in writing and signed by each party.
- 1.5. The interpretation and construction of this Framework Agreement shall be subject to the following provisions:
  - 1.5.1 The expressions set out in Schedule 1 to this Framework Agreement shall, unless the context otherwise requires bear the meanings ascribed to them in that Schedule;
  - 1.5.2 Any obligation on any party not to do or omit to do anything shall include an obligation not to allow that thing to be done or omitted to be done;
  - 1.5.3 a reference to any statute, enactment, order, regulation or similar instrument shall be construed as a reference to the statute, enactment, order, regulation or instrument as subsequently amended or re-enacted;
  - 1.5.4 the headings in these terms are for ease of reference only and shall not affect the interpretation or construction of the Framework Agreement;
  - 1.5.5 references to "person", where the context allows, includes a corporation or an unincorporated association.
- 1.6. Where there is a conflict between the Articles of Association of the Company and this Framework Agreement, the terms of this Framework Agreement shall prevail.

## **Governance and accountability**

### **2. Salix's legal origins of powers and duties**

- 2.1. The provision of financial support by the BEIS Secretary of State to Salix is by virtue of section 98 of the Natural Environment and Rural Communities Act 2006<sup>1</sup>.

### **3. Ministerial responsibility**

- 3.1. The Secretary of State for the Department for Business Energy and Industrial Strategy is the Responsible Minister and will account for Salix's business in the UK Parliament. Salix is separately accountable to the Responsible Minister for performance of the functions specifically delegated in relation to performance in their respective jurisdictions. Salix will liaise with the Administration on all matters relating to the business and affairs of Salix.
- 3.2. As confirmed in Clause 3.1 above, the Secretary of State for BEIS, from time to time, is the Responsible Minister. In practice, the BEIS Minister with responsibility for Energy and Clean Growth, from time to time, may act on behalf of the Secretary of State in discharging the duties of the Responsible Minister outlined in this Framework Agreement.

### **4. Contact and engagement**

- 4.1. The Administration and Salix will have an open and honest, trust-based partnership supported by the principles set out in the *Partnerships between Departments and Arms' Length Bodies: Code of Good Practice*<sup>2</sup>. As such, all parties will ensure that they clearly understand the strategic aims and objectives of their partners. The Administration and Salix commit to keeping each other informed of any significant issues and concerns.
- 4.2. Within the Administration, the primary contact for Salix is BEIS – Energy Efficiency and Local Directorate (the "**Contact**"). The Contact is the main source of advice to the Responsible Minister on the discharge of his or her responsibilities in respect of Salix. The Contact also supports the Principal Accounting Officer, being the Permanent Secretary of BEIS (the "**PAO**"), on his or her responsibilities toward Salix.
- 4.3. In addition to routine and policy lead contact between the Administration and Salix, and meetings pursuant to Salix's Articles, meetings will take place between:
- 4.3.1 Minister of State for Energy and Clean Growth and Salix Chairperson annually;
  - 4.3.2 BEIS Energy Efficiency and Local Director and Salix Chairperson quarterly; and
  - 4.3.3 BEIS Senior Responsible Officer and Salix Chief Executive Officer ("**CEO**") quarterly.

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<sup>1</sup> <https://www.legislation.gov.uk/ukpga/2006/16/section/98>

<sup>2</sup> <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>

## **5. Specific accountabilities and responsibilities of the Administration's Accounting Officers**

- 5.1. The Permanent Secretary of BEIS, acting in his capacity as the PAO of BEIS (and as Administration Accounting Officer ("**Administration AO**")), has designated the CEO of Salix as Salix's Accounting Officer ("**Salix AO**"). (The respective responsibilities of the PAO and Administration AO and Salix AO for NDPBs and other arm's length bodies are set out in Chapter 3 of Treasury's Managing Public Money (<https://www.gov.uk/government/publications/managing-public-money>), which is sent separately to the Salix AO on appointment.)
- 5.2. The Salix AO is personally accountable to the UK Parliament, via and alongside the PAO of BEIS, as outlined in Clauses 6.1 and 6.3 of this Framework Agreement.
- 5.3. The Salix AO is accountable to BEIS as set out in Clause 6.4 of this framework.
- 5.4. The PAO is accountable to Parliament for the issue of any grant-in-aid to Salix. The PAO is also responsible for advising the Responsible Minister:
  - 5.4.1 on an appropriate framework of objectives and targets for Salix in the light of the Administration's wider strategic aims and priorities;
  - 5.4.2 on an appropriate budget for Salix in the light of the Administration's overall public expenditure priorities; and
  - 5.4.3 how well Salix is achieving its strategic objectives and whether it is delivering value for money.
- 5.5. The PAO is responsible for ensuring arrangements are in place to inform Salix and the Board of relevant policy originating from the Administration in a timely manner.
- 5.6. The PAO is also responsible for ensuring arrangements are in place to:
  - 5.6.1 monitor Salix's activities;
  - 5.6.2 address significant problems in Salix, making such interventions as are judged necessary;
  - 5.6.3 periodically carry out an assessment of the risks both to the Administration and Salix's objectives and activities;
  - 5.6.4 inform Salix of relevant government policy in a timely manner; and
  - 5.6.5 bring concerns about the activities of Salix to the full Salix Board, and, as appropriate, to the departmental board requiring explanations and assurances that appropriate action has been taken.

## **6. Responsibilities of the Salix AO and the CEO**

### *General*

- 6.1. The Administration shall use its reasonable endeavours to, and Salix shall, ensure that the CEO fulfils their responsibilities set out in this clause in their separate capacities as both Salix AO and the CEO of the Board.
- 6.2. The Salix AO is responsible for safeguarding the public funds held by Salix; for ensuring propriety, regularity, value for money and feasibility in the handling and use of public funds; and for the day-to-day operations and management of Salix. In

addition, they should ensure that Salix is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of *Managing Public Money*<sup>3</sup>.

*Responsibilities of the Salix AO for accounting to Parliament*

- 6.3. The accountabilities include:
- 6.3.1 signing the accounts and ensuring that proper records are kept and that the accounts are properly prepared and presented in accordance with any directions issued by the Administration;
  - 6.3.2 preparing and signing a Governance Statement covering corporate governance, risk management and assurance of any local responsibilities, for inclusion in the annual report and accounts;
  - 6.3.3 ensuring that effective procedures for handling complaints are established and made widely known within Salix;
  - 6.3.4 acting in accordance with the terms of this Framework Agreement, *Managing Public Money* and other instructions and guidance issued from time to time by the Administration, HM Treasury and the Cabinet Office; and
  - 6.3.5 giving evidence, normally with the PAO, when summoned before the Public Accounts Committee (“PAC”) on Salix’s stewardship of public funds.

*Responsibilities of the Salix AO to the Administration*

- 6.4. Particular responsibilities to the Administration include:
- 6.4.1 by 31 March of each year, preparing, in agreement with the Administration, corporate and business plans prepared in the light of wider strategic aims and mutually agreed priorities of the Administration for consideration and adoption by the Board from time to time;
  - 6.4.2 informing the Administration of progress in helping to achieve the Administration’s policy objectives and in demonstrating how resources are being used to achieve those objectives; and
  - 6.4.3 ensuring that timely forecasts and monitoring information on performance and finance are provided to the Administration; that the Administration is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Administration in a timely fashion.

*Responsibilities of the CEO to the Board*

- 6.5. The CEO of Salix is responsible for:
- 6.5.1 advising the Board on the discharge of its responsibilities as set out in this Framework Agreement, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;

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<sup>3</sup> <https://www.gov.uk/government/publications/managing-public-money>

- 6.5.2 advising the Board on Salix's performance compared with its aims and objectives;
- 6.5.3 ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal techniques are followed; and
- 6.5.4 taking action as set out in paragraph 3.8.6 of *Managing Public Money* if the Board, or its Chairperson, is contemplating a course of action which the CEO reasonably considers would be unlawful, infringe the requirements of propriety or regularity or does not represent prudent or economical administration, is not efficient or effective, is of questionable feasibility, or is unethical.

## **7. The Board**

- 7.1. The Administration shall use its reasonable endeavours to, and Salix shall, ensure that the Board and the Chairperson fulfil their responsibilities set out in this clause.
- 7.2. The Board shall ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board must establish an Audit & Risk Committee or equivalent (chaired by a director who is neither the CEO nor the Director of Finance of Salix) to provide the Board and ultimately the Administration with assurance on risk. The Board is expected to assure itself regularly of the effectiveness of the internal control and risk management systems operated by Salix.
- 7.3. The Board is specifically responsible for:
  - 7.3.1 establishing and taking forward the strategic aims and objectives of Salix consistent with its overall strategic direction and within the policy and resources framework determined by the Administration;
  - 7.3.2 ensuring that the Responsible Minister is kept informed of any changes which are likely to impact on the strategic direction of the Board or on the attainability of its targets, and determining the steps needed to deal with such changes;
  - 7.3.3 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 Administration, 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 Administration;
  - 7.3.4 ensuring that the Board regularly receives and reviews financial information concerning the activities and management and is informed in a timely manner about any concerns of Salix; and provides positive assurance to the Administration that appropriate action has been taken on any concerns they may report;
  - 7.3.5 demonstrating high standards of corporate governance at all times, including by using the independent audit committee, or equivalent, to help the Board to address key financial and other risks; and

- 7.3.6 appointing a chief executive and, in consultation with the Administration, setting performance objectives and recommending the chief executive officer remuneration terms linked to these performance objectives, which give due weight to the proper management and use and utilisation of public resources and are in accordance with the Government's "*Guidance for Approval of Senior Pay*".<sup>4</sup>

*The Chairperson's personal responsibilities*

- 7.4. The Chairperson is answerable to the Responsible Minister on all matters. Communications between the Board and the Administration should normally be through the Chairperson. The Chairperson is responsible for ensuring that Salix's policies and actions support the Administration's wider strategic policies and that its affairs are conducted with probity. Where appropriate, the Chairperson will support the CEO in ensuring that the Administration's policies, and how Salix will support them, are clearly communicated and disseminated throughout Salix.
- 7.5. In addition, the Chairperson has the following leadership responsibilities:
- 7.5.1 formulating the Board's strategy;
  - 7.5.2 ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Administration;
  - 7.5.3 promoting the efficient and effective use of staff and other resources;
  - 7.5.4 delivering high standards of regularity and propriety; and
  - 7.5.5 representing the views of the Board to the general public.
- 7.6. The Chairperson also has an obligation to ensure that:
- 7.6.1 the work of the Board is reviewed and is working effectively;
  - 7.6.2 the Board has a balance of skills appropriate to directing Salix's business, as set out in the Government *Code of Good Practice for Corporate Governance*<sup>5</sup> (for the avoidance of doubt this applies to both appointed directors and their authorised Alternates);
  - 7.6.3 that each of the directors are fully briefed on terms of appointment, duties, rights and responsibilities immediately prior to their appointment;
  - 7.6.4 the Chairperson and other directors receive appropriate training on financial management and reporting requirements, covering any differences that may exist between private and public sector practice including but not limited to the NEDs partnership training;
  - 7.6.5 the Responsible Minister is advised of Salix's needs when Board vacancies arise;
  - 7.6.6 he or she assesses the performance of any individual directors being considered for re-appointment;

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<sup>4</sup> <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

<sup>5</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

- 7.6.7 there is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the Government *Code of Good Practice for Corporate Governance* (where the same is defined); *and*
- 7.6.8 there is a code of practice for directors in place, consistent with the Cabinet Office *Code of Conduct for Board Members of Public Bodies*.

*Individual directors' responsibilities*

- 7.7. Individual directors should at all times:
  - 7.7.1 comply with the *Code of Conduct for Board Members of Public Bodies* and with the rules relating to the use of public funds and to conflicts of interest;
  - 7.7.2 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;
  - 7.7.3 comply with the Board's rules on the acceptance of gifts and hospitality and of business appointments which shall incorporate the gifts, hospitality bribery and corruption policies of the Administration; and
  - 7.7.4 act in good faith and in the best interests of Salix.

*Alternate Directors*

- 7.8. The directors are under an obligation to fully brief any Alternate Director they appoint and shall ensure that such Alternate Directors have the appropriate skills and background knowledge of Salix with which to perform their duties.

**8. Annual report and accounts**

- 8.1. The Administration shall use its reasonable endeavours to, and Salix shall, ensure that the Board publishes an annual report of its activities together with its audited accounts after the end of each financial year (31<sup>st</sup> March in each calendar year). Salix shall provide the Administration with its finalised audited accounts by 20 July each year in order for the accounts to be consolidated within the Administration.
- 8.2. As Salix falls within BEIS's departmental accounting boundary, Salix shall as soon as reasonably practicable after the end of the immediately preceding financial year provide its draft accounts, other financial data, and any account adjustments, to BEIS for consolidation within its accounts.
- 8.3. The annual report must:
  - 8.3.1 cover any corporate, subsidiary or joint ventures under its control;
  - 8.3.2 comply with the Treasury's *Financial Reporting Manual* ("**FReM**"); and
  - 8.3.3 outline main activities and performance during the previous financial year and set out in summary form forward plans.
- 8.4. 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 before Parliament and made available on the Salix website, in accordance with the guidance in the FReM.



- 8.5. A draft of the annual report shall be sent to the Administration for clearance prior to the final draft being submitted to the Board for approval. The approved annual report and accounts should then be submitted to the Responsible Minister two weeks before the proposed publication date seeking his or her permission to place the report and accounts in the Libraries of both Houses of Parliament.

## **9. Internal audit**

- 9.1. The Administration shall use its reasonable endeavours to ensure that Salix shall:
- 9.1.1 establish and maintain arrangements for appropriate internal audit protocols in accordance with the *Treasury's Public Sector Internal Audit Standards*<sup>6</sup> (PSIAS) and ensure that the Administration's internal audit team have complete access to all relevant records;
  - 9.1.2 ensure the Administration is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
  - 9.1.3 set up an audit committee, or equivalent, of its Board in accordance with the Code of Good Practice for Corporate Governance and the *Audit and Risk Assurance Committee Handbook*;
  - 9.1.4 forward the audit strategy, periodic audit plans and annual audit report, including the Salix Head of Internal Audit opinion on risk management, control and governance as soon as possible to the Administration; and
  - 9.1.5 keep records of, and prepare and forward to the Administration an annual report on fraud and theft suffered by Salix and notify the Administration of any unusual or major incidents as soon as possible.

The internal audit service has a right of access to all documents, on giving reasonable notice to Salix, including where the service is contracted out.

## **10. External audit**

- 10.1. The C&AG passes the audited accounts to the Responsible Minister who will lay the accounts together with the C&AG's report before Parliament.
- 10.2. In the event that Salix has set up and controls subsidiary companies, Salix 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. Salix shall discuss with the Administration the procedures for appointing the C&AG as auditor of the companies.
- 10.3. The C&AG:
- 10.3.1 will consult the Administration and Salix on who – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;

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<sup>6</sup> <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

- 10.3.2 has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from Salix;
  - 10.3.3 will share with the Administration 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 Administration's responsibilities in relation to financial systems within Salix; and
  - 10.3.4 will, where asked, provide the Administration and other relevant bodies with Regulatory Compliance Reports and other similar reports which the Administration may request at the commencement of the audit and which are compatible with the independent auditor's role.
- 10.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which Salix 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, in conditions to grants and contracts, Salix shall provide 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 reasonable endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

*Right of access*

- 10.5. The Administration may on giving reasonable notice to Salix, have full access during normal office hours to Salix's books and records, the management of the Company and personnel. In relation to personnel, any such contact shall be subject to the consent of the management (not to be unreasonably withheld).

**11. Management and financial responsibilities**

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

- 11.1. Salix shall follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the Administration in the first instance. A list of guidance and instructions with which Salix should comply is in Appendix 2.
- 11.2. Once the budget as detailed in the Annual Business Plan and determined in accordance with clauses 14 and 21 has been approved by the Administration, and has been adopted by the Board, Salix shall have authority to incur expenditure approved in the budget without further reference to the Administration, on the following conditions:
  - 11.2.1 Salix shall comply with *Managing Public Money* regarding novel, contentious or repercussive proposals;
  - 11.2.2 inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal approval from the Administration where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed. These delegations shall not be altered without the prior agreement of the Administration; and

- 11.2.3 Salix shall provide the Administration with such information about its operations, performance, individual projects or other expenditure as the Administration may reasonably require.

## **12. Corporate governance**

### *Board appointments – the CEO and Directors*

- 12.1. The CEO shall be appointed by the Board in consultation with the Administration.

### *Composition of Board*

- 12.2. In line with the government's *Code of good Practice* (<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>), the Board shall be comprised of up to ten directors, the majority of which shall be non-executives (one of whom will be the Chairperson) to ensure that the executive directors are supported and constructively challenged in their role. The Administration and the Board shall ensure that the directors shall have an appropriate balance of skills, experience, independence and knowledge appropriate to Salix's business.

### *Board Observer*

- 12.3. The Administration may send a Board Observer to any directors' meeting.
- 12.4. The Board Observer is not a member of the Board and shall not have the right to vote or count in the quorum at any directors' meeting or sign any written resolution of the directors.
- 12.5. In order to perform his/her duties, the Board Observer may also attend meetings of any sub-committees of the Board.
- 12.6. The presence of the Board Observer at any directors' meeting or sub-committee of the Board shall not demonstrate acceptance of the Board's approach or direction on specific issues considered by the Board.
- 12.7. The Board Observer shall be entitled to receive any and all communications sent by or to the Company, any Member or director in relation to any actual or proposed decision of the Board including all notices of directors' meetings, proposed written resolutions of the directors and minutes of directors' meetings.

## **13. Risk management**

- 13.1. Salix shall ensure that the risks that it faces are dealt with in an effective 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*<sup>7</sup>. Salix shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling fraud<sup>8</sup>. Salix 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.

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<sup>7</sup> [http://www.hm-treasury.gov.uk/orange\\_book.htm](http://www.hm-treasury.gov.uk/orange_book.htm)

<sup>8</sup> [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf)

**14. Annual Business Plan**

- 14.1. Prior to the commencement of each of its Financial Years (being the annual accounting period commencing on 1 April and ending on or about 31 March in each calendar year) and, in any event, no later than the 28<sup>th</sup> February of each calendar year, Salix shall provide the Administration with a draft of the annual business plan (the “**Business Plan**”) for approval.
- 14.2. The Business Plan should contain:
- 14.2.1 Salix’s reasonable assessment of the Administration Costs Salix expects to incur during that Financial Year in relation to the funding received or expected from the Administration; and
  - 14.2.2 such information about Salix’s business and intended operations during that Financial Year as the Administration may reasonably specify.
- 14.3. The following key matters should be included in the Business Plan (as applicable):
- 14.3.1 key performance targets for the relevant year, and the strategy for achieving those objectives;
  - 14.3.2 key non-financial performance targets; and
  - 14.3.3 an assessment of the risk factors that may significantly affect the execution of the plan.

**15. Budgeting procedures**

- 15.1. On receipt of the draft Business Plan, the Administration will send to Salix by 1<sup>st</sup> April of each year:
- 15.1.1 a formal statement of the annual budgetary provision; and
  - 15.1.2 a statement of any planned change in the Administration’s policies affecting Salix.

The Administrative Costs Procedure would be included in each annual funding agreement.

**16. Grant-in-aid**

- 16.1. Any grant-in-aid provided by the Administration for the year in question will be voted in by the Administration’s Supply Estimate and be subject to Parliamentary control.
- 16.2. The grant-in-aid will normally be paid in quarterly instalments on the basis of written applications showing evidence of need. Salix 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 Salix. 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 Administration will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

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

**17. Reporting performance to the Administration**

Salix 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. Salix shall inform the Administration of any material 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 in accordance herewith.

**18. Financial reporting**

*Providing monitoring information to the Administration*

- 18.1. Salix shall provide a monthly management information report to support and assist the Administration in the preparation of Ministerial briefings and routine budget management practices. The Administration may make other ad hoc requests for information related to the performance of specific funded projects and organisations but will endeavour to provide as much notice as possible. This requirement will extend to timeous project specific quality briefing and support for ministerial visits, such requests should be prioritised.
- 18.2. Salix shall, provide the Administration with information quarterly, starting on 30<sup>th</sup> September 2020, that will enable the Administration to satisfactorily monitor:
- 18.2.1 Salix's cash management;
  - 18.2.2 its draw-down of grant-in-aid;
  - 18.2.3 forecast outturn by resource headings;
  - 18.2.4 other data required for the Online System for Central Accounting and Reporting ("**OSCAR**");
  - 18.2.5 forecast of anticipated funding returns by financial year;
  - 18.2.6 the Strategic Risk Register of Salix;
  - 18.2.7 the Complaints Register of Salix;
  - 18.2.8 the Customer Feedback Register of Salix; and
  - 18.2.9 such Key Performance Indicators as they may respectively require from time to time.
- 18.3. The Administration has the right to determine Key Performance Indicators that Salix is required to report against to the Administration, including, without limitation, the

requirements that Salix produce an annual statement on carbon savings and how value for money is reported.

- 18.4. The Administration has the right to conduct an audit of Salix at any time.
- 18.5. In requesting information under this clause 18, the Administration shall ensure that its request is relevant and proportionate to the level and or amounts it has committed under the Funding Agreements or Awards (as applicable). Notwithstanding the foregoing reporting requirements, the Company shall provide such information as the Administration shall reasonably require in relation to the business and affairs of the Company to the Administration as soon as reasonably possible following request from the Administration.

*SALIX/Administration working level liaison arrangements*

- 18.6. In accordance with clause 4 above, the primary contact in the Administration will liaise regularly with the CEO to review financial performance against plans, achievement against targets and expenditure against its Departmental Expenditure Limit (“DEL”) and Departmental Annually Managed Expenditure (“AME”) allocations. The CEO will also take the opportunity to explain wider policy developments that might have an impact on Salix.

**19. Communications and Freedom of Information**

- 19.1. Salix shall actively promote its funds in line with the agreed aims and fund eligibility criteria. All press releases or relevant announcements associated with the fund must reference the Administration and be approved by the Administration prior to publication where possible.
- 19.2. All parties are subject to the requirements of the Freedom of Information Act 2000 and shall work together to ensure each party is able to comply with their respective obligations under that act and any associated guidance as set out in Appendix 1.

**20. Delegated authorities**

- 20.1. Save as may be specifically provided to the contrary in any Funding Agreement or Delegated Authority Letter from time to time, Salix shall obtain the prior written approval of the Administration (which shall not be unreasonably withheld or delayed) before:
  - 20.1.1 entering into any undertaking to incur any expenditure which is not provided for in Salix’s annual budget as approved by the Administration;
  - 20.1.2 incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
  - 20.1.3 making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Administration;
  - 20.1.4 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; and

20.1.5 carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

**21. Reserved Matters**

**21.1. Funding and partnership arrangements**

21.1.1 The Administration has the right to determine:

21.1.1.1. from whom Salix may receive funding; and

21.1.1.2. from whom Salix may not receive funding,

provided that, in no circumstances, may Salix receive funding from private organisations.

21.2. Subject always to the provisions of clause 21.1, the Administration has the right to determine which Government departments, or their agencies, Salix may enter into agreements with.

**21.3. Disbursing Finance**

Subject always to the provisions of clause 21.1, the Administration has the right to direct the Board as to the following:

21.3.1 those Public Sector Organisations with whom Salix may work or whose projects Salix may fund;

21.3.2 those Public Sector Organisations with whom Salix may neither work nor whose projects Salix may fund, provided that, in no circumstances, may Salix fund private organisations;

21.3.3 the character of the finance or schemes that Salix should be entering into in respect of their respective areas of responsibility;

21.3.4 the geographical spread and the type of technology Salix's finance should be directed at in relation to their respective areas of responsibility;

21.3.5 the general funding criteria for projects supported by Salix including types of project, minimum funding amount, timeframe in which funds must be committed to a project and the project completed, and the funding repayment and payback period;

21.3.6 the standard terms and conditions for finance provided by Salix and to review Salix's funding templates used in their respective areas of responsibility; and

21.3.7 how repayment moneys may be utilised; either for the making of further or secondary funding or to be returned to the Administration or any other agreed funder.

- 21.4. Without prejudice to the Administration's reserve powers, the Board shall be mandated and expected to direct the executive team to run the day-to-day operations (for instance, decisions on the award of loans) and administration of the company to effect the business of Salix.
- 21.5. Without prejudice to the provisions of clauses 21.1 and 21.2, the parties shall comply with Appendix 3 (Reserved Matters).

## **22. Dispute Resolutions**

- 22.1. An issue of dispute is reviewed by BEIS and the Company (at working level) and all attempts are made to resolve it. If a resolution is not possible, the issue is escalated for review by the senior policy sponsor from the equivalent parties, with the PAO briefed on evolving developments, and with the option to directly engage with the CEO/Chair.
- 22.2. If there is still no resolution after a reasonable period of time, the PAO appoints a neutral third party to review the dispute and act as mediator between the parties, and if necessary, seeking views from experts, all of which is to be conducted as soon as reasonably possible.
- 22.3. Any findings and recommendations will be referred back to the PAO for approval. If still no resolution, the PAO will be invited to write to the Chair of the Company clarifying the policy priorities. Audit trails on decision-making will be kept and maintained for transparency.

## **23. Salix Staff**

### *Responsibilities for staff*

- 23.1. The Board, in addition to its duties set out in clause 7 will have responsibility for the recruitment, training and development, retention and motivation of its staff, and to ensure that:
- 23.1.1 the framework 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;
  - 23.1.2 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;
  - 23.1.3 the performance of its staff at all levels is satisfactorily appraised and Salix performance measurement systems are reviewed from time to time;
  - 23.1.4 its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve Salix's objectives;
  - 23.1.5 proper consultation with staff takes place on key issues affecting them;
  - 23.1.6 adequate grievance and disciplinary procedures are in place;
  - 23.1.7 whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and



23.1.8 a code of conduct for staff is in place based on the Cabinet Office's *Model Code for Staff of Executive Non-departmental Public Bodies*<sup>9</sup>.

*Pay and conditions of service*

23.2. Salix shall have regard to chapter 5 of the Cabinet Office's *Public Bodies: A Guide for Departments* that provides guidance on staff issues in public bodies<sup>10</sup>.

23.3. Staff terms and conditions, including in relation to pensions, redundancy and compensation should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.

23.4. Salix shall comply with the EU Directive on contract workers implemented by the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

*Pensions, redundancy and compensation*

23.5. Any proposal by Salix to undertake any of the following:

23.5.1 move from the existing pension arrangements; or

23.5.2 to pay any redundancy or compensation for loss of office

requires the prior approval of the Administration.

23.6. Any proposals on severance must comply with the rules in chapter 4 of *Managing Public Money*.

**24. Review of Salix's status (and winding-up arrangements)**

Salix's status as a public body will be reviewed every 3 years (or when otherwise deemed necessary) from the date of this Framework Agreement to ensure Salix remains efficient and effective.

**25. Arrangements in the event that Salix is wound up**

25.1. If the Administration decides that Salix should be wound up, the Administration shall put in place arrangements to ensure the orderly winding up of Salix, including ensuring that all the employment contractual commitments including redundancy payments are met and any funding from Scotland or Wales is returned to the relevant government in accordance with Salix's respective agreements with them. In particular they shall ensure that the assets and liabilities of Salix are passed to any successor organisation named by the Administration and accounted for properly. In the event that there is no successor organisation, the assets and liabilities shall revert to the Administration. To this end, the Administration shall:

25.1.1 ensure that procedures are in place for Salix to gain independent assurance on key transactions, financial commitments, cash flows and other

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<sup>9</sup>

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

<sup>10</sup>

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

information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;

- 25.1.2 specify the basis for the valuation and accounting treatment of Salix's assets and liabilities;
  - 25.1.3 ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, for non-Crown bodies 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;
  - 25.1.4 arrange for the most appropriate person to sign the closing accounts. In the event that another public body takes on the role, responsibilities, assets and liabilities, the succeeding public body's AO should sign the closing accounts. In the event that the Administration inherits the role, responsibilities, assets and liabilities, the Administration's AO should sign.
- 25.2. Salix shall pass to the Administration details of any other forms of claw-back due to Salix.

**26. Funding Agreements/Awards for the Provision of Funding to Public Sector Organisations ("Awards")**

- 26.1. It is intended that the Administration will provide Salix with funding for the purposes of supporting that part of Salix's business to be applied to the respective policies sought to be implemented by the Administration from time to time together with an amount equivalent to the Administration's administrative expenses for Salix for the financial year in question.

It is acknowledged that the terms of the existing funding agreements and awards (as applicable), pre-dating this Framework Agreement, continue to be binding on Salix, unless otherwise agreed between Salix and the relevant parties.

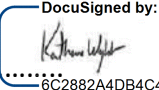
**26. Publicity**

- 26.1 The Administration shall have the right to review and approve any proposed press release to be made by the Company which makes reference to the Administration and/or government departments.
- 26.2 No such proposed press release shall be issued by the Company without the prior approval of the Administration that is referred to in that press release.

**LIST OF APPENDICES TO THE SPECIMEN DOCUMENT**

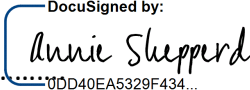
- Appendix 1 - Definitions
- Appendix 2 - List of government-wide corporate guidance instructions
- Appendix 3 - Reserved Matters

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

(On behalf of the Secretary of State for Business, Enterprise and Industrial Strategy)

Signed  .....  
0DD40EA5329F434...

Date.....

(On behalf of Salix Finance Ltd)

## APPENDIX 1

### Definitions

**“Administration Accounting Officer” or “Administration AO”** means the senior official ultimately responsible for all spending of a government department or arm’s length body from time to time. The Administration AO for a government department is usually its Permanent Secretary;

**“Administration Costs”** means the costs incurred in the operation of the Salix’s business, including staffing costs, IT equipment and office supplies;

**“Administration”** means the Secretary of State for the Department for Business, Energy & Industrial Strategy, and its assignees, replacements, substitutes and successors from time to time;

**“Administration's Supply Estimate”** means the document presented by the Treasury to the House of Commons in which a department seeks approval for its spending for the coming financial year. The Estimates summarise the resources, capital and cash required;

**“Administrative Costs Procedure”** means the applicable processes and requirements in order for Salix to claim Administration Costs;

**“ALB”** means Arm’s Length Body, a public body that delivers services on behalf of Government;

**“Annually Managed Expenditure” or “AME”** means spending included in departmental budgets, which is difficult to predict, manage or forecast, so, unlike the Departmental Expenditure Limit (see below), is not subject to multi-year spending limits set in Spending Reviews. Main categories of AME include demand led funding such as social security benefits, pensions and tax credits for individuals, and difficult to forecast items such as impairments in asset value, and provisions for liabilities. There are separate Resource and Capital AME budgets;

**“Audit Committee”** means the Committee that Salix is required to set up, in accordance with the Code of Good Practice for Corporate Governance and the *Audit and Risk Assurance Committee Handbook*, to focus on assurance arrangements of the Salix Board, over: governance, financial reporting, annual report and accounts, including the governance statement;

**“Awards”** means the amounts that the Administration may provide to Salix from time to time, for the purposes of supporting that part of Salix’s business to be applied to the respective policies sought to be implemented by the Administration;

**“BEIS”** means Department for Business, Energy & Industrial Strategy;

**“Business Plan”** means the ‘Annual Business Plan’ that Salix is required to provide to the Administration, prior to the commencement of each of its Financial Years that shows how Salix will deliver the Administration’s relevant policy ambition(s);

**“Chairperson”** means the director that shall be appointed Chairperson of the Board from time to time by the Administration;

**“Chief Executive Officer” or “CEO”** means the director who is an executive director appointed, from time to time, as chief executive officer for the Company;

**“Company”** means Salix Finance Ltd;

**“Complaints Register”** means the list of complaints made against Salix which is regularly maintained;

**“Comptroller and Auditor General” or “C&AG”** means the Head of the National Audit Office, and an officer of Parliament, who is wholly independent of Government;

**“Customer Feedback Register”** means the record of feedback received by Salix, from its customers which is regularly maintained;

**“Departmental Expenditure Limit” or “DEL”** means expenditure which is subject to limits set in Spending Reviews and which it is assumed Government departments can control. Separate DELs are set for each Government department’s Resource and Capital spending each year;

**"Departments"** means government departments;

**“Director”** means a director of the Company, and includes any person occupying the position of director, by whatever name called;

**“Dispute Resolutions”** means the process of resolving disputes between the parties;

**“Employee Handbook”** means the Handbook in which staff terms and conditions, including in relation to pensions, redundancy and compensation are set out;

**“Estimates”** see Administration's Supply Estimate;

**“Financial Reporting Manual” or “FReM”** means the technical reporting guide for the preparation of financial statements;

**“Financial Year”** means the annual accounting period commencing on 1 April and ending on or about 31 March, in each calendar year;

**“Funding Agreements”** means the documents issued by the Administration to Salix with details of the funding provided for the purposes of supporting that part of Salix’s business to be applied to the respective policies sought to be implemented by the Administration;

**“Governance Statement”** means the statement that the Salix Accounting Officer must include in the annual report and accounts, covering corporate governance, risk management and assurance of any local responsibilities;

**“Key Performance Indicators”** means measures of performance which are considered to be good indicators of a department or other body’s success or otherwise in meeting its targets and objectives;

**“Members”** means the members of the Company, from time to time, being, on the date of this Framework Agreement, the Administration;

**“NDPB”** means Non-Departmental Public Body, a form of Arm’s Length Body;

**“OSCAR”** means Online System for Central Accounting and Reporting;

**“PAC”** means Public Accounts Committee;

**“PCR”** means the Public Contracts Regulations 2015;

**“PAO”** means Principal Accounting Officer, the senior official ultimately responsible for all spending of a government department or arm’s length body. The Accounting Officer for a government department is usually the Permanent Secretary;

**“Public Sector Organisation”** means any contracting authority as defined in the PCR (and such definition shall be deemed to include, without limitation, schools, colleges and other educational establishments the majority of whose funding comes from the public sector) and such other analogous organisations established for the public benefit;

**“Regulatory Compliance Reports”** means reports that set out the extent to which the Company is complying with the regulations and legal standards that govern its operation;

**“Salix”** means Salix Finance Ltd;

**“Salix AO”** means the Salix Accounting Officer from time to time, being at the date of this Framework Agreement the CEO of Salix;

**“Strategic Risk Register”** means the register of risks, that may have an impact on the operational delivery of Salix’s activities;

**“Supply Estimate”** means the documents presented by the Treasury to the House of Commons in which a department seeks approval for its spending for the coming financial year. The Estimates summarise the resources, capital and cash required; and

**“Treaty Principles”** means the general EU Treaty principles in the context of Public Procurement, that have emerged from the case law of the European Court of Justice: (a) equality of treatment, (b) transparency, (c) mutual recognition, and (d) proportionality.

## APPENDIX 2

### List of Government-wide corporate guidance instructions

Salix shall comply with the following general guidance documents and instructions:

1. this Framework Agreement;
2. Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice* <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments> ;
3. *Code of Conduct for Board members of Public Bodies* [http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf)
4. *Code of Practice for Ministerial Appointments to Public Bodies* <http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
5. *Managing Public Money* (MPM) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/742189/Managing\\_Public\\_Money\\_\\_MPM\\_\\_with\\_annexes\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742189/Managing_Public_Money__MPM__with_annexes_2018.pdf)
6. Public Sector Internal Audit Standards <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
7. Management of Risk: Principles and Concepts <https://www.gov.uk/government/publications/orange-book>
8. HM Treasury Guidance on Tackling Fraud [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf) ;
9. Government Financial Reporting Manual (FReM), <https://www.gov.uk/government/publications/government-financial-reporting-manual>;
10. Fees and Charges Guide, Chapter 6 of *Managing Public Money*;
11. Departmental Banking: A Manual for Government Departments, annex 5.6 of *Managing Public Money*;
12. relevant Dear Accounting Officer letters <https://www.gov.uk/government/collections/dao-letters>;
13. Regularity, Propriety and Value for Money, [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm);
14. The Parliamentary and Health Service Ombudsman's Principles of Good Administration <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples>;
15. Partnerships between Departments and ALBs: Code of Good Practice
16. Consolidation Officer Memorandum, and relevant DCO letters;
17. relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
18. Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office) [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80082/PublicBodiesGuide2006\\_5\\_public\\_body\\_staffv2\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf);

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19. other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
20. BEIS Gifts, Hospitality and Bribery and Corruption Policy
21. other relevant instructions and guidance issued by the central Departments;
22. specific instructions and guidance issued by the Administration;
23. recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the ALB.



**APPENDIX 3**  
**Reserved Matters**

It is acknowledged by the parties that the Board of Salix should be allowed to carry out its duties with a level of discretion and suitable space that enables good corporate governance and operational independence to continue. Accordingly, the board of Salix will be mandated and expected to direct the executive team to run the day-to-day operations (for instance, decisions on the award of loans) and administration of the company to effect the business of Salix, provided that the Administration may direct that the Board may not implement specific business proposed to be transacted by the Board in relation to any of the matters listed below without the Administration's prior written approval:

**1. Annual Business Plan**

- 1.1. The Annual Business Plan for Salix (including how funding is allocated) and any proposed changes be made once approved.
- 1.2. Salix's annual budget for administration and any proposed changes once approved.

**2. Plan to Cease Trading**

- 2.1. Any proposed arrangements to cease trading.

**3. Office Accommodation**

- 3.1. Salix's arrangements regarding its office accommodation – from time to time.