



Department for
Science, Innovation
& Technology



NPL Framework Document

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NPL Framework Document

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Introduction and background

1. Purpose of document

- 1.1. This framework document (the “Framework Document”) has been agreed between the Department for Science, Innovation and Technology (“DSIT”) and NPL Management Limited (“NPL”) in accordance with HM Treasury’s handbook Managing Public Money¹ (“MPM”) (as updated from time to time) and has been approved by HM Treasury.
- 1.2. The Framework Document sets out the broad governance framework within which NPL and DSIT operate. It sets out:
 - NPL’s core responsibilities
 - describes the governance and accountability framework that applies between the roles of DSIT and NPL
 - how the day-to-day relationship works in practice, including in relation to governance and financial matters, developing the framework established in the Articles of Association of NPL (the “Articles”), the shareholder reserved matters and delegated authorities.
- 1.3. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.
- 1.4. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the NPL website (www.npl.co.uk)

Amendments to and interpretation of this document

- 1.5. Any amendment, update or replacement of any provision of the Framework Document shall be agreed by the parties, from time to time, in writing and must be consistent with the Articles (as may be amended, updated or replaced from time to time).
- 1.6. The Framework Document should be reviewed regularly and updated at least every 3 years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of DSIT. The latest date for review and updating of this document is May 2028.
- 1.7. References to (including extracts and summaries of) a statute or statutory provision include and shall be read as a reference to that statute or provision as from time to time modified, re-enacted or consolidated whether before or after the date of this document, and any subordinate legislation made from time to time under that statute or statutory provision which is in force at the date of this document.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000670/MPM_Spring_21_with_annexes_080721.pdf

- 1.8. References to NPL in this document shall also be taken to include any subsidiaries, joint ventures or associate undertakings of NPL over which it exercises effective control.

2. Objectives

- 2.1. DSIT and NPL share the common objective of delivering NPL's responsibilities as the UK's National Metrology Institute and its wider role to use its capability to deliver social and economic impact for the UK. To achieve this NPL and DSIT will work together in recognition of each other's roles and areas of expertise, providing an effective environment for NPL to achieve its objectives through the promotion of partnership and trust and ensuring that NPL also supports the strategic aims and objectives of the department and wider government as a whole.

3. Classification and ownership

- 3.1. NPL has been classified as a public non-financial corporation by the HM Treasury Classifications team and the ONS.
- 3.2. NPL is a private company limited by shares incorporated in England and Wales whose registered office address is Hampton Road, Teddington, Middlesex, TW11 0LW. NPL is wholly owned by the Secretary of State for Science, Innovation & Technology (the "Shareholder"). NPL is governed by the requirements of and the obligations created by the Companies Act 2006 and successor legislation.
- 3.3. The Shareholder does not have any involvement in the day-to-day operations of NPL, save to the extent that the Shareholder shall appoint the Shareholder Director from within DSIT to sit as a non-executive director on NPL's Board. While the Board retains operational control, it is accountable to the Shareholder for the performance of NPL and is required to seek consent for certain matters as set out in this document and in the Articles.

Purposes and Vision

4. Incorporation and legal form

- 4.1. NPL Management Limited ("NPL") has been incorporated under the Companies Act 2006 as a company limited by shares.

5. Purpose

- 5.1. NPL is the UK's National Metrology Institute and is a world leading centre of research excellence, developing and applying the most accurate measurement standards, science and technology available to deliver social and economic

impact. NPL's mission is to provide the measurement capability that underpins the UK's prosperity and quality of life

6. Vision

- 6.1 NPL's vision is to be an exemplary National Laboratory that undertakes excellent science and engineering and uses this to deliver extraordinary impact for the UK. To fulfil this vision, NPL:
- undertakes research;
 - develops and maintains the nation's measurement infrastructure;
 - supports a system of traceable measurement throughout the UK and the world;
 - ensures accurate and consistent measurements that enable effective trade; and
 - shares its expertise with government, business and society to enhance economic performance and quality of life.
- 6.2 NPL delivers this vision through revenue earned both from National Measurement System ("NMS") contracts, direct awards and grants, and from competitively-won business, services and knowledge transfer.
- 6.3 NPL supports DSIT in the development of the UK Measurement Strategy on behalf of government and in consultation with the other national measurement laboratories and other stakeholders within the National Measurement System. NPL works closely with DSIT and other government departments to ensure that the UK Measurement Strategy aligns with and strongly supports government policy objectives.
- 6.4 As stated in the Mutual Recognition Agreement (MRA) of the Comité International des Poids et Mesures (CIPM), NPL is recognised as the UK's NMI. NPL is the UK member of the European Association of National Metrology Institutes (EURAMET).

Governance and accountability

7. Governance and accountability

- 7.1 NPL shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this framework document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.
- 7.2 In particular (but without limitation), NPL should comply with:

- the principles and provisions of the Financial Reporting Council’s UK Corporate Governance Code² (as amended and updated from time to time) to the extent appropriate to NPL or specify and explain any non-compliance in its annual report, and notify the Shareholder in advance.
- take into account and comply with, the codes of good practice and guidance set out in Annex A of this framework document, as they apply to public corporations.

Role of the department as shareholder

8. The responsible Minister

8.1. The Secretary of State for Science, Innovation and Technology and the Minister for Science, Research & Innovation (the “Minister”) are responsible for NPL and will account for NPL on all matters concerning NPL in Parliament.

8.2. The Secretary of State and the Minister:

- are responsible for the policy framework within which NPL operates;
- are responsible for providing guidance and direction to ensure the strategic aims and objectives of the Company are consistent with those of the Department and government; and
- approve the NPL Corporate Plan and business plan.

9. Shareholder appointments

9.1 The Shareholder shall have the following appointment and approval rights in relation to NPL’s Board:

- the Secretary of State will appoint the Chair. This appointment is subject to the Public Appointments Order in Council³ and as such must comply with the Governance Code on Public Appointments⁴.
- the Shareholder will have a consenting role in relation to the appointment of Directors in line with NPL’s Articles of Association.
- the Shareholder will nominate a senior employee of the Department of Science, Innovation & Technology as a non-executive director on NPL’s Board (the “Shareholder Director”). The Shareholder Director will make provision for the appointment of an alternate for the Shareholder Director (the "Alternate Shareholder Director") as required;
- the Shareholder will approve the appointment of the Chief Executive on approval by the NPL Board and on the advice of the NPL Nominations

² <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

³ <https://publicappointmentscommissioner.independent.gov.uk/regulating-appointments/orders-in-council/>

⁴ <https://www.gov.uk/government/publications/governance-code-for-public-appointments>

Committee. The Chief Executive shall be a permanent employee of NPL, appointed through a process that adheres to best practice guidance for appointments in being open, fair and transparent. The request to the Shareholder for approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to appoint an interim Chief Executive;

- in each case, the NPL Board will give legal effect to the appointment.

9.2. All such appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint Boards which include a balance of skills and backgrounds.

10. Other shareholder reserved matters

10.1. The Shareholder will review and, if in agreement, give prior written approval to the following “shareholder reserved matters”:

- the Corporate Plan (following development and updating by the Board)
The Shareholder will review and approve this annually;
- any changes to the approved capital structure and to the financial framework, including the approach to remuneration;
- the appointment of any external auditor;
- acquisitions, disposals and joint ventures of a value greater than 15% of NPL’s net assets at the relevant time.

10.2. At the reasonable request of the Shareholder, the Directors shall:

- meet the Shareholder or its representatives to discuss the affairs of NPL;
- provide such information in relation to the affairs of NPL as the Shareholder may reasonably require.

10.3. The Shareholder is committed to giving the Board the freedom to operate NPL in line with the spirit of this framework document. Decisions on the day-to-day management of NPL will be taken by the Board in accordance with their statutory, regulatory, common law and fiduciary duties.

11. The Principal Accounting Officer (PAO)

11.1. The Principal Accounting Officer (PAO) is the Permanent Secretary of DSIT.

11.2. The PAO is accountable to Parliament for NPL.

PAO’s specific accountabilities and responsibilities

11.3. The PAO is responsible for advising the Minister via the PSRE Sponsorship Team on:

- an appropriate framework of objectives and targets for NPL in the light of the department’s wider strategic aims and priorities;

- an appropriate budget for NPL in the light of the shareholder department's overall public expenditure priorities;
- how well NPL is achieving its strategic objectives and whether it is delivering value for money;
- the exercise of the Minister's responsibilities concerning NPL as outlined above.

11.4. The PAO via the PSRE Sponsorship Team is also responsible for ensuring arrangements are in place in order to:

- monitor NPL's activities and performance;
- address significant problems in NPL, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and NPL's objectives and activities in line with the wider departmental risk assessment process;
- inform NPL of relevant government policy in a timely manner;
- bring ministerial or departmental concerns about the activities of NPL to the full NPL board, and, as appropriate to the departmental board, requiring explanations and assurances that appropriate action has been taken.

12. The role of the PSRE Sponsorship Team

12.1. The PSRE Sponsorship Team is responsible for discharging the responsibilities of the Shareholder and are the primary contact between the Shareholder and NPL. They are the main source of advice to the Minister and the PAO on the discharge of their responsibilities in respect of NPL. Therefore, NPL should engage with the PSRE Sponsorship Team as the initial point of contact between NPL and the Shareholder.

12.2. The PSRE Sponsorship Team will:

- establish and maintain appropriate and effective corporate governance foundations which govern the shareholder and NPL;
- promote effective objectives, business planning and performance against the Corporate Plan;
- promote the organisational capability of NPL;
- promote effective leadership (high quality boards and senior management);
- promote effective relationships between the Shareholder, NMS Customer Team and NPL;
- support and supplement the activities outlined above by providing an experienced non-executive director on the Board of NPL;
- Subject to the processes within DSIT, approve the appointments of the non-executive directors of the Board, who shall be appointed from time to time through an open, fair and transparent process agreed by the Nominations Committee and the PSRE Sponsorship Team.

12.3. The PSRE Sponsorship Team advises and, as appropriate, acts on behalf of the Minister on relevant government policy developments and responding to requests from NPL to provide a policy perspective on NPL's activities and plans.

- 12.4. The PSRE Sponsorship Team will:
- advise NPL of relevant policy and guidance in a timely manner, including annual policy objectives in relation to NPL's Corporate Plan and objectives;
 - advise Ministers on NPL's progress against agreed policy objectives;
 - engage closely with NPL on wider policy developments and cross-Government priorities impacting on, or affected by, the work of NPL.

13. The role of the NMS Customer team

- 13.1. The Minister for Science, Research & Innovation is responsible for the UK's National Measurement System (the "NMS").
- 13.2. The NMS Customer Team in the department is responsible for the programmes which underpin the NMS and is the primary DSIT customer for NPL. The NMS Customer Team advises and, as appropriate, acts on behalf of the Minister on relevant government policy developments and their delivery through the NMS programmes.
- 13.3. The NMS Customer Team will:
- as part of programme formulation, advise NPL of relevant policy and guidance in a timely manner;
 - place contracts with NPL for the delivery of the NMS programmes;
 - advise the Minister on NPL's progress against agreed NMS programme deliverables.
- 13.4. To ensure that NPL does not receive conflicting instructions from DSIT, the PSRE Sponsorship Team and NMS Customer Team will work together to ensure clarity and consistency in respect of departmental advice, decisions and instructions.

14. Freedom of Information requests

- 14.1. Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

15. Reporting on legal risk and litigation

- 15.1. NPL shall provide a quarterly update to the PSRE Sponsorship Team on the existence of any active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the Shareholder in a timely manner.
- 15.2. In respect of each substantial piece of litigation involving NPL, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the Shareholder to facilitate this. Until such time as a protocol is agreed, the parties will ensure that:

- material developments in the litigation are communicated to the Shareholder in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;
- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege;
- circulation of privileged information within government occurs only as necessary.

NPL governance structure

16. Responsibilities of NPL's Chief Executive as the Accountable Person

- 16.1. The PAO has designated the Chief Executive as NPL's Accountable Person.
- 16.2. The PAO expects the Chief Executive, as NPL's Accountable Person, to take personal responsibility for running NPL.
- 16.3. The Shareholder recognises that as a public corporation operating in commercial markets, NPL needs to take investment and other financial decisions in accordance with commercial practices.
- 16.4. NPL should comply with the principles of MPM where appropriate and, in particular, where required to do so by this Framework Document.
- 16.5. An outline of the responsibilities of the Accountable Person can be found in their letter of appointment set out in Annex B.

17. Responsibilities for accounting to Parliament

- 17.1. Responsibilities to Parliament and the public 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;
 - preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
 - ensuring that effective procedures for handling complaints about NPL are established and made widely known within NPL;
 - acting in accordance with the agreed levels of control and accountability, including any relevant principles in MPM it has been agreed that NPL should comply with, and other instructions and guidance issued from time to time by the department, HM Treasury and the Cabinet Office;

- ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - their fiduciary duties under the Companies Act
 - any governing legislation
 - the Framework Document
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee (PAC) on NPL's stewardship of public funds.

18. Responsibilities to the Shareholder

18.0. Responsibilities to DSIT include:

- establishing, in agreement with the Shareholder, NPL's strategic plans;
- informing the Shareholder of progress in achieving the strategic plans as appropriate and in demonstrating how resources are being used to achieve those plans;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the shareholder, that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the shareholder in a timely fashion.

19. Responsibilities to the Board

19.1. The Chief Executive is responsible for:

- advising the Board on the discharge of NPL's responsibilities as set out in this document, in the Articles and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on NPL's performance compared with its aims and objectives as set out in the Corporate Plan;
- 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 Chapter 3 of Managing Public Money if NPL's 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, is of questionable feasibility, or is unethical.

20. The Board

Role of the Board

- 20.1. The role of the Board shall be to run NPL, in accordance with the Articles and with this document. Detailed responsibilities of the Board shall be set out in the Board terms of reference (as varied from time to time) and shall include the following:

- establishing and taking forward the aims and objectives of NPL as set out in the strategic objectives subject to Shareholder approval and within the policy and resources framework determined by the Shareholder;
- reviewing, advising and approving the multi-year Corporate Plan and the annual operating plan and budget;
- providing entrepreneurial leadership of NPL within a framework of prudent and effective controls which enables risk to be assessed and managed;
- ensuring the financial and human resources are in place for NPL to meet its strategic objectives;
- ensuring that the Board receives and reviews regular financial information concerning the management of NPL is informed in a timely manner about any concerns about the activities of NPL;
- reviewing management performance;
- ensuring that the Shareholder is kept informed of any changes which are likely to impact on the strategic direction of NPL or on the attainability of its strategic objectives, and determining the steps needed to deal with such changes;
- demonstrating high standards of corporate governance at all times, including by using NPL's Audit and Risk committee to help the Board to address key financial and other risks;
- 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 Shareholder, and in accordance with any other conditions relating to the use of public funds. The Company's financial delegations from DSIT are set out in the delegation letter from the PAO to the Chief Executive;
- if required, co-operating fully with the requests of all relevant Parliamentary committees for scrutiny, requests from the Parliamentary Commissioner for Administration and otherwise to assist the Shareholder in answering questions about NPL;
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by NPL of the strategic objectives.

21. The Chair's role and responsibilities

- 21.1. The Chair is accountable to the Shareholder. Engagement between NPL's Board and the Shareholder should, in the first instance, be through the Chair engaging with the Shareholder.
- 21.2. The Chair should lead the Board in providing support and challenge to NPL's Chief Executive and the executive team as set out in the Chair's letter issued to them by the Shareholder from time to time.
- 21.3. The Chair has the following leadership responsibilities:
- formulating the Board's strategy;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Minister or the department;
 - promoting the efficient and effective use of staff and other resources;

- delivering high standards of regularity and propriety;
- representing the views of the board to the general public.

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

- the Board has a balance of skills and diversity which is appropriate to directing NPL's business;
- the Chair, 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;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities and the Chair assesses the performance of individual members of the Board regularly and when being considered for re-appointment;
- ensuring there are regular internal and external reviews of the performance and composition of the Board, with an externally facilitated evaluation of the Board at least every three years;
- ensuring the Shareholder is advised as appropriate of NPL's needs when vacancies on the Board arise. The Chair will discuss the composition of the Board, external review of the Board and succession plans with the Shareholder from time to time, and agree any actions at least annually;
- 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 Governance⁵;
- there is a code of practice for Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies⁶.

21.5. Notwithstanding the Code, the Shareholder shall retain responsibility for conducting overall evaluation and review of the Chair's performance. In conducting such evaluation and review the Shareholder shall take into account appraisal of the Chair's performance as co-ordinated by the Senior Independent Director in accordance with the Code.

21.6. The Chair is bound by the Code of Conduct for Board Members of Public Bodies⁷ which covers conduct in the role and includes the Nolan Principles of Public Life⁸.

22. Individual Board members' responsibilities

22.1. Individual Board members should:

- comply at all times with the Code of Conduct for Board Members of Public Bodies, which covers conduct in the role and includes the Nolan Principles of Public Life as well as rules relating to the use of public funds and to conflicts of interest;

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

⁶ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁷ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁸ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

- demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors⁹ as appropriate and 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;
- in accordance with the UK Corporate Governance Code 2018, additional external appointments by all board directors should not be undertaken without prior approval of the Board. Furthermore, the Shareholder should be informed in advance;
- act in good faith and in the best interests of NPL and in accordance with their statutory, common law and fiduciary duties as directors of NPL, including under section 172 of the Companies Act 2006 which set out directors' duty to promote the success of NPL for the benefit of the members as a whole;
- ensure they are familiar with any applicable guidance on the role of public sector non-executive directors and boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government.

23. Composition of the Board

- 23.1. The Board comprises the Non-Executive Chair, the Non-Executive Directors (including the Shareholder Director), the Chief Executive, the Chief Financial Officer, and such other executive directors whose appointment is recommended by the Nominations Committee and approved by the Board from time to time. The Board also includes senior representatives (typically at Vice-Chancellor or Principal level) of the University of Strathclyde and the University of Surrey.
- 23.2. At least half of the Board, excluding the Chair, should be non-executive directors whom the Board considers to be independent.
- 23.3. All of the above will be company directors within the meaning of the Companies Act 2006.
- 23.4. The quorum for Board meetings shall be in accordance with the Articles.
- 23.5. All appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint boards which include a balance of skills and backgrounds.

⁹ <https://www.gov.uk/government/publications/public-bodies-non-executive-director-principles/12-principles-of-governance-for-all-public-body-neds>

24. Board committees

- 24.1. It is the responsibility of the Board to constitute such committees as necessary for it to fulfil its functions. In line with the UK Corporate Governance Code as a minimum the Board should have three committees: Audit and Risk, Remuneration and Nomination.
- 24.2. The terms of each committee should set out its responsibilities and the authority delegated to it by the Board.

Management and financial framework

25. HM Treasury guidance

- 25.1. The activities, roles and responsibilities of NPL as described in this document should comply with MPM where applicable.
- 25.2. Notwithstanding arrangements in respect of MPM, NPL will be subject to the rules set out in Consolidated Budgeting Guidance¹⁰.

26. Delegated authorities

- 26.1. The Board is responsible for establishing appropriate delegations with the Executive Directors. The Shareholder will review these delegations from time to time with the Board.
- 26.2. NPL's financial delegations from DSIT are set out in the delegation letter from the PAO to the Chief Executive.
- 26.3. NPL shall obtain the department's and where appropriate HM Treasury's prior written approval before:
 - entering into any undertaking to incur any expenditure that falls outside the delegations;
 - 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 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.

27. Banking, loans and working capital

- 27.1. Any loan facilities put in place should be reviewed and approved by the Board and take into account guidance set out in MPM (5.8 Borrowing by Public Sector

¹⁰ <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>

Organisations and 5.9 External Borrowing) where relevant. Any loan facility will be arranged between NPL and the Shareholder and will be conducted on commercial arms-length terms for the purposes of providing working capital.

- 27.2. NPL will operate through the Government Banking Service and such commercial banking arrangements as are approved by the Board and approved by the Shareholder and the Treasury from time to time.

28. Charging and dividends

- 28.1. NPL will operate commercial market rate pricing consistent with section 6.6 of MPM, in accordance with company and competition law. To the extent that it is applicable, NPL's charging will be in accordance with the Re-use of Public Sector Information Regulations 2015¹¹ (as amended or re-enacted).
- 28.2 NPL shall aim to declare annual dividends to the Shareholder (subject to Companies Act requirements) of 50% of profit after tax or other percentage or profile as agreed with the Shareholder.

29. Risk management

- 29.1. NPL 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.

30. Counter fraud and theft

- 30.1. NPL should adopt and implement policies and practices to safeguard itself against fraud and theft.
- 30.2. NPL should act in compliance with the procedures and considerations as set in in MPM Annex 4.9 and the Counter Fraud Functional Standard¹². It should take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract.
- 30.3. NPL should keep records of and prepare and forward to the PSRE Sponsorship Team an annual report on fraud and theft suffered by NPL and notify the Shareholder of any unusual or major incidents as soon as possible.

31. Remuneration and staff

Status of NPL's employees

¹¹ <https://www.legislation.gov.uk/ukxi/2015/1415/contents/made>

¹² <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

31.1. NPL's staff are not civil servants and therefore the annually updated Civil Service Pay Guidance¹³ does not apply.

Pay controls

31.2. Controls over remuneration and conditions apply as follows:

- the remuneration package of NPL's Chief Executive and remuneration for any other roles that are Ministerial appointments or subject to Ministerial consent, require approval by the Chief Secretary to the Treasury (CST) assuming the remuneration threshold¹⁴ is reached. In addition, any remuneration package for any member of staff that is in excess of the Chief Executive's will require CST approval;
- the Chair is a Ministerial appointment and is therefore subject to the provisions set out in the guidance on the approval of senior pay¹⁵ which came into force on 1 January 2018;
- any other appointments are made by NPL and are not Ministerial appointments or appointments that are approved by a Minister do not engage the senior pay controls and do not require CST approval. This does not remove the right of the Shareholder from dismissing or appointing any Board member pursuant to the Articles.

Broad responsibilities regarding staff

31.3. The Board is solely responsible for all other staff matters, including the appointment and management of staff, determining staff numbers, determining terms and conditions of appointment in accordance with appropriate HR¹⁶ documents including the approach to remuneration

31.4. NPL must have regard to wider public sector pay policy when setting an approach to remuneration.

31.5. The Remuneration Committee should have oversight of all bonus and incentive schemes. The Board will delegate to the Remuneration Committee those responsibilities set out above.

31.6. The Chief Executive is responsible for ensuring NPL conducts its operations in accordance with MPM where applicable.

31.7. It is the responsibility of NPL to ensure it complies with the IR35 requirement.

31.8. It is the responsibility of NPL to ensure that it abides by Managing Public Money including the supplementary provisions on exit payments and special severance payments and any other relevant guidance issued by HM Treasury on exit payments.

¹³ <https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-202122>

¹⁴ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

¹⁵ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

- 31.9. Confidentiality clauses may only be used as permitted in relevant public sector guidance¹⁷.
- 31.10. Salary sacrifice schemes must be consistent with MPM guidance on tax planning.
- 31.11. NPL's travel policy must be consistent with public sector guidance, with first class travel restricted to exceptional cases¹⁸.
- 31.12. NPL should report (via the Remuneration Committee) to the Shareholder the number of posts paid above the remuneration threshold (with names). The Annual Report should contain full details of the remuneration of board members, provide information in bands for executive committee members paid above the remuneration threshold, and report the numbers of other staff (without names) paid above the remuneration threshold. NPL should also notify the Treasury, via the Shareholder, of all bonus arrangements put in place that are above the remuneration threshold as soon as the decision is made and within no more than one month. The number of bonuses paid above the threshold should be made public in the Annual Report.
- 31.13. Other benefits are set out in NPL's approach to remuneration, which also covers legacy arrangements. NPL must not offer allowances that may be considered novel, contentious or repercussive.

Remuneration criteria

- 31.14. The Remuneration Committee shall determine the approach to remuneration and remuneration levels in accordance with the following criteria (which shall also be reflected in the Remuneration Committee terms of reference). The criteria are that remuneration levels:
- are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and objectives of NPL described in this document;
 - are structured to link remuneration of all employees to performance in line with the Corporate Plan;
 - are aligned with the objectives set out in this document;
 - deliver value for money;
 - take account of MPM and take account of remuneration levels within comparable public sector institutions and are set with wider public sector pay policy in mind.
- 31.15. Staff terms and conditions will be set out in their contract of employment. Policies and procedures governing employment will be made available on NPL's HR Intranet page and will be provided to the PSRE Sponsorship Team on request.

¹⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817156/Cabinet-Office-guidance-on-settlement-agreements-special-severance-payments-on-termination-of-employment-and-confidentiality-clauses.pdf

¹⁸ <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

31.16. NPL will operate a performance-related bonus scheme based on NPL's business and individual's performance approved by its Remuneration Committee.

31.17. The travel expenses of board members will be tied to the rates allowed to senior staff of NPL. Reasonable actual costs, excluding alcohol, shall be reimbursed.

Business plans, management information and audit

32. Corporate and business plans

32.1. The Corporate Plan shall set out how NPL will achieve its strategic objectives.

32.2. The Corporate Plan will be developed, reviewed and updated by the Board and approved by the Shareholder. Among other things, it shall include:

- financial information at a level of detail agreed between NPL and the Shareholder covering a 5-year forecast period, including an income statement, balance sheet, cashflow statement and explanatory narrative regarding assumptions;
- description of how the strategic objectives are being fulfilled in the current period and for the future including clear descriptions of risks and opportunities to the plan;
- a set of key performance indicators (KPIs) to allow the Board and Shareholder to track performance against the plan.

33. Ring-fenced grants

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

34. Annual report and accounts

34.1. NPL's Board must publish an annual report of its activities, together with its audited accounts after the end of each financial year.

34.2. The annual report must be produced by NPL and comply with the Companies Act 2006 and the timing for production of such accounts shall accord with "best practice" applicable to UK registered companies.

- 34.3. The annual report shall also follow the principles in HM Treasury's Financial Reporting Manual (FReM)¹⁹ and provide the additional disclosures required by FReM where these go beyond the Companies Act 2006.
- 34.4. NPL will share a draft of the review narrative with the shareholder for review before it is signed off by NPL's Board providing adequate time for such review and not less than ten working days. The final report should be submitted to the Shareholder immediately upon receipt of auditor approval, for endorsement. The Shareholder recognises that the finalised annual review is solely the responsibility of NPL's Board. Publication will be dependent on other government and NPL announcements but will be as soon as feasibly possible.
- 34.5. The Shareholder will lay the annual report and accounts before Parliament and it should be made available on NPL's website.

35. Reporting performance to the Shareholder

- 35.1. NPL 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.
- 35.2. NPL shall inform the PSRE Sponsorship Team 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 regularly.
- 35.3. NPL's performance shall be formally reviewed by the PSRE Sponsorship Team twice a year.
- 35.4. The Minister will meet the Chair of the NPL Board once a year.
- 35.5. The PAO will meet the Chief Executive at least once a year.

36. Information provided to the Shareholder

- 36.1. NPL will facilitate the Shareholder in fulfilling its function by providing relevant information on request including on, but not limited to, strategic plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, governance matters including board appointments and remuneration and reports on key corporate risks.
- 36.2. Where the Shareholder Director receives information:
- in their capacity as the Shareholder Director, they shall be authorised to share this information with the Shareholder;
 - other than in their capacity as the Shareholder Director and where that information is subject to a duty of confidentiality, they shall not be obliged

¹⁹ <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

to disclose the information to NPL. Where the Shareholder Director receives such information in such capacity, in circumstances where they consider that the knowledge or receipt of such information could affect their ability to comply with their duties as a non-executive director of NPL, the Shareholder Director agrees to notify the Board as soon as practicable and to take appropriate steps, including but not limited to agreeing to recuse themselves from relevant decision-making processes.

- 36.3. Regular meetings between representatives of the Shareholder and senior NPL representatives (including the Chair, Chief Executive and Chief Financial Officer) will be held on a quarterly basis to discuss governance, financial performance and other relevant matters (quarterly shareholder meetings).

37. Audit

- 37.1. NPL will arrange for audit of its accounts in accordance with the Companies Act 2006, subject to the approval of the Shareholder.
- 37.2. The NPL Audit and Risk Committee (ARC) is responsible for appointing a suitably qualified and experienced external auditor. NPL shall seek the consent of DSIT before the appointment of an external auditor. The ARC should periodically review the company's auditors in line with best practice.
- 37.3. The Comptroller and Auditor General (C&AG) may carry out value for money studies of NPL under the National Audit Act 1983, examining the economy, efficiency and effectiveness with which NPL and/or its subsidiaries have used their resources in discharging their functions. NPL will make available to the C&AG its accounts and other relevant information, documents and access to staff as necessary for such examinations.
- 37.4. The Shareholder and NPL shall provide, in conditions to any grants or contracts, for the C&AG to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and 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.
- 37.5. NPL will maintain an internal audit function (with or without external professional support) who will report to the Audit and Risk Committee and will cover (among other things) matters relating to risk management and internal controls, including compliance with the terms of this document.

Reviews and winding up arrangements

38. Review of NPL's status

- 38.1. NPL may be reviewed as part of the wider Public Bodies Reviews programme, at a time determined by DSIT's ministers and their PAO.

39. Arrangements in the event that NPL is wound up

- 39.1. DSIT shall put in place arrangements to ensure the orderly winding up of NPL. In particular it should ensure that the assets and liabilities of NPL 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 DSIT. To this end, the department shall:
- have regard to Cabinet Office guidance on winding up of ALBs²⁰;
 - ensure that procedures are in place in NPL 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 NPL'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, 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 their report on the accounts;
 - arrange for the most appropriate person to sign the closing accounts. In the event that another entity takes on the role, responsibilities, assets and liabilities, the succeeding entity AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the shareholder department's AO should sign.
- 39.2. NPL shall provide DSIT with full details of all agreements where NPL 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 NPL.

²⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690952/Public_Bodies_-_a_guide_for_departments_-_chapter_10.pdf

Annex A: Guidance

NPL shall comply with the following guidance, documents and instructions, where appropriate:

Corporate governance

- This Framework Document
- Corporate Governance Code for Central Government Departments (relevant to Arm's Length Bodies) and supporting guidance:
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>
- Code of conduct for Board members of Public Bodies:
<https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>
- Code of practice for partnerships between Departments and Arm's Length Bodies:
<https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice#:~:text=This%20code%20of%20good%20practice,partnership%20approach%20to%20shaping%20relationships>.

Financial management and reporting

- Managing Public Money (MPM):
<https://www.gov.uk/government/publications/managing-public-money>
- Government Financial Reporting Manual (FReM):
www.gov.uk/government/collections/government-financial-reporting-manual-frem
- Relevant Dear Accounting Officer (DAO) letters:
www.gov.uk/government/collections/dao-letters
- Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts: <https://www.gov.uk/government/collections/whole-of-government-accounts>
- The most recent letter setting out the delegated authorities, issued by the parent department.

Management of risk

- Management of Risk: www.gov.uk/government/publications/orange-book and <https://www.gov.uk/government/publications/management-of-risk-in-government-framework>

- Public Sector Internal Audit Standards:
www.gov.uk/government/publications/public-sector-internal-audit-standards
- HM Treasury approval processes for Major Projects above delegated limits:
<https://www.gov.uk/government/publications/treasury-approvals-process-for-programmes-and-projects>
- The Government cyber-security strategy and cyber security guidance:
<https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022> and
<https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Commercial management

- Procurement Policy Notes:
<https://www.gov.uk/government/collections/procurement-policy-notes>
- Cabinet Office spending controls:
<https://www.gov.uk/government/collections/cabinet-office-controls>
- Transparency in supply chains - a practical guide:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040283/Transparency_in_Supply_Chains_A_Practical_Guide_2017_final.pdf

Public appointments

The following are relevant where public bodies participate in public appointments processes.

- Guidance from the Commissioner for Public Appointments:
<https://publicappointmentscommissioner.independent.gov.uk/>
- Governance Code on Public Appointments:
www.gov.uk/government/publications/governance-code-for-public-appointments
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees:
<https://www.gov.uk/government/publications/procurement-policy-note-0815-tax-arrangements-of-appointees>

Staff and remuneration

- HM Treasury guidance on senior pay and reward:
www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Civil Service pay guidance (updated annually):
www.gov.uk/government/collections/civil-service-pay-guidance

- Public sector pay and terms:
<https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>
- Whistleblowing Guidance and Code of Practice:
<https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>
- The Equalities Act 2010: www.gov.uk/guidance/equality-act-2010-guidance

General

- Freedom of Information Act guidance and instructions:
www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration: <https://www.ombudsman.org.uk/about-us/our-principles>
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury)
- 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].
- Guidance from the Public Bodies team in Cabinet Office:
www.gov.uk/government/publications/public-bodies-information-and-guidance
- The Civil Service diversity and inclusion strategy (outlines the ambition, to which Arm's Length Bodies can contribute):
<https://www.gov.uk/government/publications/civil-service-diversity-and-inclusion-strategy-2022-to-2025>
- Guidance produced by the Infrastructure and Projects Authority (IPA) on management of major projects:
www.gov.uk/government/organisations/infrastructure-and-projects-authority
- The Government Digital Service:
www.gov.uk/government/organisations/government-digital-service
- The Government Fraud, Error, Debt and Grant Efficiency function;
www.gov.uk/government/collections/fraud-error-debt-and-grants-function and
www.gov.uk/government/publications/grants-standards
- Code of Practice for Official Statistics:
<https://code.statisticsauthority.gov.uk/#:~:text=The%20Code%20of%20Practice%20for%20Statistics%20sets%20the,produced%20by%20people%20and%20organisations%20that%20are%20trustworthy.>

- Accounting Officer System Statements (AOSS are produced by departments with input from ALBs): www.gov.uk/government/publications/accounting-officer-system-statements

Annex B: Accountable Person Letter