



Department  
for Transport

# East West Railway Company: Framework Document

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*Version 2.5*

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*Interpretation*

**A.** This Framework Document has been drawn up by the Department for Transport (the “**Department**”) in consultation with the East West Railway Company Limited (the “**Company**”). It sets out the broad framework within which the Company will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by the Department and the Company. Copies of the document and any subsequent amendments will be placed in the Libraries of both Houses of Parliament and made available to public online.

**B.** In this document, unless otherwise stated:

“**Accounting Officer**”, or “**AO**” is the Chief Executive or another officer of the company as designated by the PAO from time to time;

“**Annual Report and Accounts**” means the strategic report, directors report, and other statements published alongside the annual statement of accounts required to be audited by the National Audit Office;

“**Articles**” means the articles of association of the Company, as updated from time to time;

“**Audit Committee**” means the audit committee of the Company;

“**Board**” means the Board of Directors of the Company;

“**Budget**” means the most recent budget allocation provided to the Company by the Department, following the process set out at section [14] of this Framework Document;

“**Business Plan**” means the most recent business plan agreed between the Secretary of State and the Company, following the process set out at section [13] of this Framework Document;

“**Cabinet Office**” means Government’s Cabinet Office;

“**Chair**” means the chair of the Company;

“**Chief Executive**” means the chief executive of the Company;

“**Code of Conduct for Board Members of Public Bodies**” means the guidance of the same name, published by Cabinet Office from time to time;

“**Code of Practice for Ministerial Appointments to Public Bodies**” means the guidance of the same name, published by Public Appointments Commissioner from time to time;

“**Companies Act**” means the Companies Act 2006;

“**Delegated Authorities Letter**” means letters sent from the Department’s Principal Accounting Officer to the Company’s Accounting Officer, setting out the financial authorities delegated by the Department to the Company in relation to the East West Rail project;

“**Department**” means the Department for Transport;

“**Director**” means a statutory director of The Company;

**“EWR Sponsor Team”** is the Department’s team that manages the Secretary of State’s strategic sponsorship and shareholder interests in the Company on his/her behalf, as supported by UKGI at their request;

**“Finance Director”** means the Finance Director of the Company;

**“Framework Document”** means this framework document;

**“FReM”** means the Government Financial Reporting Manual issued by HM Treasury;

**“Governance Documents”** means (i) the Articles; (ii) Budget; (iii) Business Plan; (iv) this Framework Document; (v) Delegated Authorities Letter; (vi) Sponsors Requirements, and any other document that the Company and Department agrees is defined as such;

**“Government”** means the UK Government;

**“Government Code of Good Practice for Corporate Governance”** means the guidance entitled “Corporate Governance in Central Government: Code of Good Practice”, published by HM Treasury from time to time;

**“HM Treasury”** means Her Majesty’s Treasury;

**“IFRS”** means International Financial Reporting Standards;

**“Managing Public Money”** means the guidance of the same name, published by HM Treasury from time to time;

**“NDPB”** means a Non-Departmental Public Body;

**“Parliament”** means the UK Parliament;

**“Public Accounts Committee”** is the Parliamentary committee of the same name;

**“Principal Accounting Officer”**, or **“PAO”** is the Department's Permanent Secretary;

**“Secretary of State”** means the Secretary of State for Transport;

**“Shareholder Nominated Director”** means a non-executive Director directly appointed and nominated as such by the Secretary of State; and

**“UKGI”** means UK Government Investments Limited, a UK Government corporation wholly owned by HM Treasury.

**C.** Any question regarding the interpretation of the document will be resolved by the Department after consultation with the Company and, as necessary, with the Cabinet Office and/or HM Treasury.

## **1 Purpose of the Company**

**1.1** The Company is established by incorporation under the Companies Act, and is limited by shares. It has a sole shareholder, the Secretary of State.

**1.2** In a written statement to Parliament in December 2016, the Secretary of State for Transport outlined his aspiration for new ways of working on the railway, and particularly for a new approach in delivering East West Rail. He announced the creation of a new organisation to bring in new skills to the industry and to focus specifically on delivering this railway, given the strategic importance of the link between Oxford and Cambridge in driving economic growth, housing and innovation.

This new organisation would support the Government's wider ambitions for the Cambridge - Milton Keynes - Oxford corridor by: identifying innovative options to accelerate the delivery of the railway; exploring opportunities for increased private sector involvement to design, build, and operate the route, as well as to enhance the integration of infrastructure and train operations. It would be outside of Network Rail's control, bring increased contestability into the rail industry, and be an exemplar for new ways of working.

**1.3** Evolution of the Company's role and delegation over time:

Similarly to other DfT arms' length bodies, such as HS2 Ltd, the Company's role will evolve over time, supported by a change in the level of functional and financial delegated authority. Required delegations will be assessed at each stage before being authorised by the Department and the HM Treasury.

**1.4** Company's role during the establishment phase:

The Department and HM Treasury have agreed the initial remit of the Company to be:

- For the Western Section of the scheme: operating as the client for the scheme, working with Network Rail and the East West Rail Alliance (which remains the deliverer of the Western section) to ensure benefits are realised and that the infrastructure is delivered on time and to budget.
- For the Central Section of the scheme: conducting analysis, developing options and making recommendations concerning the route and its future delivery model, reflecting the Government's objectives and approaching these areas with an open mind.
- For its own structure: fully establishing itself and building its appropriate long-term capability of project development and delivery for both Western and Central sections.

**1.5** In carrying out these activities the Company will:

- Act in accordance with the terms of its Governance Documents; and
- Have regard to the Department's wider strategic objectives.

*Governance and accountability*

**2 Ministerial responsibility**

**2.1** The Secretary of State will account for business concerning the Company in Parliament.

**2.2** As sole shareholder in the Company, the Secretary of State also has specific (shareholding) responsibilities that include:

- holding the Company's Board to account for its governance of the Company and its performance and ensuring that the Company is guided and monitored in the public and taxpayer interest;
- agreeing the aims and objectives of the Company (as set out in this Framework document and associated documents);
- keeping Parliament informed about the performance of the Company, which will include laying the Annual Report and Accounts of the Company before Parliament each year;
- approving the amount of grant-in-aid to be paid to the Company and securing Parliamentary or HM Treasury approval if necessary;
- carrying out his or her responsibilities specified in this Framework Document;
- appointing the Chair and Shareholder Nominated Director and approving appointments of other non-executive Directors; and the Chief Executive;
- set the remuneration for (i) the Chair and other non-executive Directors; and (ii) approve remuneration of the Chief Executive and other executive Directors;
- if given due cause, remove a member of the Board from their position in accordance with the relevant provisions of the Companies Act 2006 and subject to the terms of their appointment letter; and
- annually review the performance of the Chair.

**3 Contact and engagement**

**3.1** The Department for Transport is the responsible Government Department for the Company.

**3.2** The Department has an EWR Sponsor Team, under the Director for Major Rail Project Development, which manages the Secretary of State's shareholder interests in the Company on his/her behalf.

**3.3** The EWR Sponsor Team is responsible for liaising with the Company on all aspects of its delivery work and are the first point of contact between Government and the Company, and will ensure clarity and consistency in respect of Departmental advice, decisions and instructions.

**3.4** The Department and the Company will have an open and honest, trust-based partnership supported by the principles set out in the *Partnerships between Departments and ALBs: Code of Good Practice*. As such, both parties will ensure that clearly understand the strategic aims and objectives of their partners. Both partners will also commit to keeping each other informed of any significant issues and concerns, in particular but not exclusively timely updates of the cost and schedule risk of delivering the specified works.

**3.5** The EWR Sponsor Team is the main source of advice to the Secretary of State on the discharge of his or her responsibilities in respect of the Company. They also support the PAO on his or her responsibilities toward the Company.

**3.6** In addition to routine and policy lead contact between the Department and the Company, meetings will take place between:

- the Secretary of State and Chair at least semi-annually; and
- The East West Rail Programme's Senior Responsible Officer and PAO and Chief Executive

**3.7** Any disputes between the Department and the Company that arise at a working level will be resolved through escalation of the dispute to the PAO and Chief Executive. If still not resolved, disputes will then be escalated to the Secretary of State and Chair.

#### **4 Sponsor Department's accounting officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)**

**4.1** The Principal Accounting Officer (PAO) of the Department will designate a senior executive, ordinarily the Chief Executive, as the Company's accounting officer. The respective responsibilities of the PAO and accounting officers for ALBs are set out in Chapter 3 of *Managing Public Money* which is sent separately to the accounting officer on appointment.

**4.2** The PAO is accountable to Parliament for any resources given to the Company. The PAO is also responsible for advising the Secretary of State:

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

**4.3** The PAO is also responsible for ensuring arrangements are in place to:

- monitor the Company's activities;
- address significant problems in the Company, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the Department and the Company's objectives and activities;
- inform the Company of relevant Government policy in a timely manner; and
- bring concerns about the activities of the Company to the Board, and, as appropriate to the Departmental board, so that an opportunity for explanation is provided and assurances that appropriate action has been taken can be given.

## **5 Responsibilities of the Accounting Officer**

### *General*

**5.1** The Company's Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the Company. In addition, he or she should ensure that the Company is run based on the standards, in terms of governance, decision-making and financial management that are set out in Chapter 3 of *Managing Public Money*.

### *Responsibilities for accounting to Parliament*

**5.2** The accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- 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;
- ensuring that effective procedures for handling complaints about the Company are established and made widely known within the Company;
- acting in accordance with the terms of this document, *Managing Public Money* and other instructions and guidance issued from time to time by the Department, HM Treasury and the Cabinet Office;
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the Company's stewardship of public funds.

### *Responsibilities to the Department*

#### **5.3** Responsibilities to the Department include:

- establishing, in agreement with the Department, the Company's corporate and business plans in the light of the Department's wider strategic aims and mutually agreed priorities;
- providing the Department with annual assurance of the health of the Company's management processes and controls;
- informing the Department of progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department 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 Department in a timely fashion.

### *Responsibilities to the Board*

#### **5.4** The Accounting Officer is responsible for:

- advising the Board on the discharge of the Board's responsibilities as set out in this Framework Document and in any other relevant instructions and guidance that may be issued from time to time;
- together with the Chief Executive, if one is in place and is not designated Accounting Officer, advising the Board on the Company's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- acting as set out in paragraph 3.8.6 of *Managing Public Money* if the Board, or its Chair, is contemplating a course of action involving a transaction which the Accounting Officer 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.

### *Launch phase of the Company*

#### **5.5** The Permanent Secretary at the Department for Transport will remain Accounting Officer until the PAO has designated an Accounting Officer at the Company

## The Board

**6.1** The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems, and must set up an Audit Committee and a Remuneration Committee. Each Committee shall be chaired by an independent, non-executive Director to provide independent advice on these and other related matters to the Board. The Shareholder Nominated Director will be a member of both the Audit and Remuneration Committees.

**6.2** The Board is specifically responsible for:

- holding the executive Board members to account for the effective and efficient delivery of the business plan;
- establishing and taking forward the strategic aims and objectives of the Company consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- ensuring that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the Company or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board considers guidance issued by the sponsor Department;
- ensuring that the Board receives and reviews regular financial information concerning the management of the Company; is informed in a timely manner about any concerns about the activities of the Company; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance always, including by using the independent Audit Committee to help the Board to address key financial and other risks;
- appointing the Chief Executive in consultation with the Secretary of State, and setting performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources.

**6.3** Any Shareholder Nominated Director has the same responsibilities, as a Board member, as other Directors, sharing in the collective responsibilities of the Board and fostering collegiate working relationships with non-executive and executive Board members and colleagues. Without prejudice to, and mindful of, these duties he or she will provide an

insight into Government thinking and approach on issues affecting the Company as well as on the Government's wider views and priorities.

*The Chair's personal responsibilities*

**6.4** The Chair is responsible to the Secretary of State. Communications between the Company's Board and the Secretary of State should normally be through the Chair. He or she is responsible for ensuring that policies and actions support the Secretary of State's (and where relevant other ministers') wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the Company.

**6.5** In addition, 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 Secretary of State or the Department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the public.
- reporting annually on their performance and that of the Board, supported by feedback including peer review, to the Secretary of State or as delegated, and to share this with the EWR Sponsor Team.

**6.6** The Chair also has an obligation to ensure that:

- the work of the Board and its Directors are reviewed annually and that they are working effectively;
- the Board has a balance of skills appropriate to directing the Company's business, as set out in the *Government Code of Good Practice for Corporate Governance*;
- any concerns over the effectiveness of the Company's Board are reported to the Secretary of State and EWR Sponsor Team.
- Directors are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Directors, receives appropriate training on financial management, reporting requirements and on any differences that may exist between private and public sector practice;
- the Secretary of State is advised, in good time, of the Company's needs when Board vacancies arise through the EWR Sponsor Team who, in conjunction with Governance Public Appointments Team will organise and manage the appointments process where appropriate (as agreed in advance)

- he or she assesses the performance of individual Directors when being considered for re-appointment providing a formal written performance appraisal to the EWR Sponsor Team and the Department’s Governance Division – Public Appointments team, bearing in mind re-appointments are not automatic;
- 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*.
- 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*

**6.7** Individual Directors should:

- comply always 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;
- not misuse information gained during their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board’s rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the Company.

*Board composition target*

**6.8** The aim is to create a board composed of up to nine members, in adherence to the UK Corporate Governance Code:

- Chair, appointed by the Secretary of State;
- Three to four Non-Executive Directors, to be appointed by the Chair, with the consent of the Secretary of State. However, the initial appointments will be made by the Secretary of State after consulting the interim Chair.
- Where the Secretary of State wishes to appoint directly a further Non-Executive Director, a “Special Non-Executive Director” representing their interests,
- The Company’s Chief Executive,
- The Company’s Finance Director,
- Optionally, a third Executive Director

## 7 Annual report and accounts

**7.1** The Company must publish, for the Department's Minister to lay before Parliament, an annual report of its activities together with its audited accounts after the end of each financial year. The Company shall provide the Department its finalised (audited) accounts by the date directed by the Department's Group Finance to enable consolidation of accounts within the Department's.

**7.2** The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with HM Treasury's *Financial Reporting Manual (FReM)*;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

**7.3** Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the Company's website, in accordance with the guidance in the FReM. A draft of the report should be submitted to the Department [two weeks] before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM.

## 8 Internal audit

**8.1** The Company shall:

- establish and maintain arrangements for internal audit with the Government Internal Audit Agency (GIAA) in accordance with the *Treasury's Public Sector Internal Audit Standards (PSIAS)* (<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>);
- establish an audit oversight function in accordance with the Code of Good Practice for Corporate Governance, either as a separate committee of non-executive directors or as part of the Board;
- GIAA is responsible for providing the Company's Accounting Officer with an objective evaluation on the overall adequacy and effectiveness of the Company's framework of governance, risk management and control. The Opinion of the Head of Internal Audit is a key element of the framework of assurance the Company's Accounting Officer needs to inform the completion of the annual Governance Statement;
- forward the audit strategy, periodic audit plans and annual audit report, as soon as possible to the Department; and the Departments Group Chief Internal Auditor;

- ensure that records are kept of, and prepare and forward to the Department an annual report on, fraud and theft suffered by the Company and notify the Department of any unusual or major incidents as soon as possible.

**8.2** The internal audit service has a right of access to all documents, including where the service is contracted out.

## **9 External audit**

**9.1** The Controller & Auditor General (C&AG) audits the Company's Annual Report and Accounts. The Company will arrange for these to be laid before Parliament, together with the C&AG's report.

If the Company has set up and controls subsidiary companies, the Company will [in the light of the provisions in the Companies Act 2006] ensure that the C&AG has the option to be appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The Company shall discuss with the Department the procedures for appointing the C&AG as auditor of the companies.

**9.2** The C&AG:

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

**9.3** The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Company has used its resources in discharging its functions. For the purpose of these examinations, the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Company shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

### *Right of access*

**9.4** The Department has the right of access to all Company records and personnel for any purpose including, for example, assurance audits and operational investigations.

## **10 Corporate governance**

### *Board appointments*

**10.1** The Secretary of State will appoint the Chair. The Secretary of State also has the right to appoint a Shareholder Appointed Director. The Chair will appoint all other non-executive Directors, subject to written approval by the Secretary of State.

**10.2** Until a permanent Chair has been appointed, the Secretary of State will make initial appointments of board members, consulting the interim Chair.

**10.3** The appointments in paragraph 10.1 will comply with the Commissioner for Public Appointments *Code of Practice for Ministerial Appointments to Public Bodies*. The term of these appointments will be for no longer than three years. Reappointments may be made subject to satisfactory performance, provided that no appointee serves a combined term of longer than 6 years in total.

**10.4** The Board will appoint the Chief Executive in consultation with the Secretary of State.

### *Composition of the Board*

**10.5** In line with the Government *Code of Good Practice for Corporate Governance*, the Board will consist of an independent, non-executive Chair, together with the Chief Executive and Finance Director.

**10.6** The Company should also have non-executive Directors that combine broad business and commercial skills and experience from the rail and other relevant industry sectors. Collectively, the non-executive Directors should have experience of the delivery of major infrastructure projects; the planning process; engaging with local authorities; and risk management. At least half of the Board should consist of independent non-executive Directors to ensure that executive Directors are supported and constructively challenged in their role.

## **11 Risk management**

**11.1** The Company shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the HM Treasury guidance *Management of Risk: Principles and Concepts* (<https://www.gov.uk/government/publications/green-book-supplementary-guidance-risk>). It should adopt and implement policies and practices to safeguard itself against fraud and theft. It should also take all reasonable steps to appraise the financial

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

**11.2** The Company will have regard to the DfT Risk Management Policy and Guidance launched in 2018 and will, where practicable, seek to align their own processes and procedures to the new Departmental guidance. This will include working with the DfT Sponsorship/Shareholder Team, regarding the requirement to escalate their top risks as part of implementing the 'Inform-Warn-Consult' risk escalation process, which is part of the wider improvements to risk management in the DfT family.

**11.3** A non-executive Director will chair the Company's Audit Committee, and all non-executive Directors will be permanent members of it. Any Board member may raise concerns to the department at any time through ministers and/or senior officials.

## **12 Corporate and business plans**

**12.1** The Company shall submit annually to the Department a draft of the corporate plan covering three years ahead for review. The draft should be submitted by December. The Company shall agree with the Department the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect the Company's aims and objectives, the priorities being set from time to time by the Secretary of State (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the Company contributes to the achievement of the Department's priorities.

**12.2** The first year of the corporate plan, amplified as necessary, shall form the Business Plan, which must be approved by the Secretary of State as shareholder. The Business Plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department. Subject to any commercial considerations, the corporate and Business Plans should be made available publicly and to staff.

**12.3** The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- a review of performance in the preceding financial year, together with comparable outturns for the previous three years, and an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between the Department and the Company.

### **13 Budgeting procedures**

**13.1** Each year, in the light of decisions by the Department on the updated draft corporate plan and Business Plan for that year, the Department will send to the Company by February:

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

**13.2** The approved annual Business Plan will take account both of approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Departmental funding and/or other income over the year. These elements form part of the approved Business Plan for the year in question.

### **14 Controls**

The Company will adhere to the controls listed in the document ‘DfT controls and approvals guide’ included in Appendix 1, except where agreed otherwise with the EWR Sponsor team and the relevant DfT control lead, following the acceptance of a strong and relevant business case.

### **15 Investment Decisions – Programme / Project Expenditure**

**15.1** All proposed programme/project expenditure over £50m, in accordance with **HMT Green Book**, should be supported by a robust business case built up over time containing all relevant information about the proposed investment in line with the departments Business Case guidance. <https://intranet.dft.gsi.gov.uk/page/guide-drafting-business-case%C2%A0-0>

This requires an investment decision to be set out across 5 separate aspects (5 cases), that together demonstrate that the proposal demonstrates value for money and meets the objectives set.

**15.2** The Sponsor team should ensure early engagement with the Centres of Excellence (CoE), possibly before a formal full business case is produced, and if appropriate discussions facilitated with any external stakeholders (e.g. Cabinet Office – Government Digital Service), to provide advice, guidance and assurance to proceed.

**15.3** There should be close liaison between the Company and each of the departments Centres of Excellence (CoE), with oversight of each of the individual cases within a full business case (Strategic, Economic, Commercial, Financial, & Management), with coordination through the EWR Sponsor team, to ensure that each stage (see 15.4), of each business cases development, goes through the required CoE assurance and clearance process before the full business case goes forward to Investment Decision (Tier 1 - DfT

Board Investment & Commercial Committee, or Tier 2 – local board),  
<https://intranet.dft.gsi.gov.uk/page/centres-excellence-coes>

The 5 cases within a full business case and appropriate CoE are outlined as follows;

- Strategic case - a robust case for change that fits wider public policy objectives ('Strategic Centre of Excellence' reviews all Tier 1 proposals).
- Economic case - value for money ('Economic Centre of Excellence' is within the Analysis & Appraisal Assurance team in TASM and review the Economic Case and the accompanying Value for Money Statement for all schemes going to Tier 1 and 2 Investment Boards).
- Commercial case - commercial viability ('Procurement Centre of Excellence' is within Group Commercial Services Procurement Assurance and Supplier Relationship Management Team and clear all Tier 1 and 2, DfT Transport projects are subject to the Procurement Assurance Framework. And, the Corporate Finance Centre of Excellence' will also clear.).
- Financial case - financial affordability, compliant with rules on public spending ('Finance Centre of Excellence' in Group Finance Directorate).
- Management case - outputs and benefits are achievable ('Programme & Project Centre of Excellence' within Corporate Governance provides a focal point for the whole business case as well).

This Analysis & Appraisal Assurance CoE is also responsible for reviewing the Analytical Assurance Statement (AAS) relating to the entire business case. The AAS should highlight the strengths, limitations and risks of *all* analysis presented within the 5 cases. The AAS is one of the first things the investment board will read and provides an indication of the level of confidence decision-makers can have in the proposal.

**15.4** Investment decisions should be made at 3 separate stages each building on the last to produce 3 different full business cases, at the end of each stage the programme / project sponsor needs to gain approval to proceed or complete that stage from the relevant investment committee and/or minister;

- Stage 1 – Strategic Outline Business Case (SOBC)
- Stage 2 – Outline Business Case (OBC)
- Stage 3 – Final Business Case

This is a link to the DfT Project and Programme Delivery Framework;

<https://intranet.dft.gsi.gov.uk/sites/default/files/Project%20and%20Programme%20delivery%20framework.pdf>

**15.5** The Company has an Investment Committee, which approves programme and project expenditure; in addition to other approvals set out as follows;

- Tier 3 - up to £10 million;

- Tier 2 - Between £10 million and £50 million, will be approved by the Department's High Speed & Major Rail Projects Tier 2 Investment Board;
- Tier 1 – above £50 million, will be approved as in Tier 1 & 2, with final approval obtained from the Department's Board Investment and Commercial Committee (BICC) and Procurement Assurance Board (PAB).

The Investment Committee shall comprise at least one non-executive director.

**15.6** Information relating to all ongoing projects and programmes will be routinely provided to the department's EWR Sponsor team including progress and change, as well as a forward look of planned activities.

In relation to Tier 1 projects and programmes,

- there will be close liaison between the Company and the departments Centres of Excellence with responsibility for oversight of each individual business case, through the EWR Sponsor team to ensure each of the 5 business cases within the overall Business Case are approved and there is a recommendation to proceed to investment decision by each centre of excellence.
- Governance Division Project and Programme Management Team will be responsible for reviewing the whole business case (SOBC, OBC, FBC), before it is sent to BICC and
- Governance Division 'BICC Portfolio Team' must be advised as soon as a programme or project is likely to be a Tier 1 and so is recorded in the portfolio and its progress must be reported on to them monthly, via the EWR Sponsor team.

**15.7** All projects and programmes in which there is a 'Digital' element will require approval by Cabinet Office - Government Digital Services (GDS) Board. See:

<https://www.gov.uk/service-manual/agile-delivery/spend-controls-check-if-you-need-approval-to-spend-money-on-a-service> approvals must be discussed with both the Sponsor and DfT Digital Directorate for prior approval before going to GDS.

## **16 Submissions to Ministers**

**16.1** The EWR Sponsor Team should work in partnership with the Company, to jointly shape and agree the content of any ministerial submission, and to determine the appropriate clearances required.

The EWR Sponsor should steer submissions through the relevant functional areas of DfT and, if appropriate, external stakeholders and should include clearance from, but not be limited to; Corporate Finance, Legal Services and Press. Where a ministerial submission includes analysis, clearance should also be obtained from DfT's Transport Appraisal and Strategic Modelling (TASM) division.

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

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

**17.2** The grant-in-aid will normally be paid in monthly instalments based on written applications showing evidence of need. The Company will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the Company. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the Department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

**17.3** If the Department provides the Company separate grants for specific (ring-fenced) purposes, it would issue the grant as and when the Company needed it based on a written request. The Company would provide evidence that the grant was used for the purposes authorised by the Department. The Company shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

## **18 Reporting performance to the Department**

**18.1** The Company shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The Company shall inform the sponsor Department of any changes that make achievement of objectives difficult. It shall report financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives regularly.

### *Providing monitoring information to the Department*

**18.2** As a minimum, the Company shall provide the Department/ EWR Sponsor Team with information monthly that will enable the Department/ EWR Sponsor Team satisfactorily to monitor:

- the Company's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- report against achievement of objectives set out in the annual Business Plan and the overall agreed Company strategy,
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

- respond to the Department’s annual Management Assurance exercise through the supply of accurate and timely responses based on retained evidence.
- Any other management information reasonably required by the Department from time to time.

The EWR Sponsor team will be permitted to share the above reference information with UKGI to the extent required for UKGI to be able to perform any role it is required to undertake on their behalf. The appointment letter for the Shareholder Nominated Director contains further provisions specifically on the sharing and onward sharing of confidential information between the Company and the Shareholder Nominated Director.

#### *Company/Department working level liaison arrangements*

**18.3** The EWR Sponsor Team will liaise regularly with the Company to review financial performance against plans, achievement against targets and expenditure against its budget, investment decisions, Board appointments and remuneration and reports on key corporate risks. The EWR Sponsor Team will also take the opportunity to explain wider policy developments that might have an impact on the Company.

#### *Reporting on legal risk and litigation*

**18.4** Notwithstanding the provisions of any protocol agreed under the terms of clause 18.7 below, the Company shall provide a quarterly update to the EWR Sponsor Team on the existence of any active litigation and any threatened or reasonably anticipated litigation.

**18.5** The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the EWR Sponsor Team in a timely manner.

**18.6** In respect of each substantial piece of litigation involving the Company, 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 EWR Sponsor Team in order 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 EWR Sponsor Team 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 that legal privilege; and
- circulation of privileged information within Government occurs only as necessary.

## **19 Delegated authorities**

**19.1** The Company’s delegated authorities are set out in the Delegated Authorities Letter. The Company shall obtain the Department’s prior written approval before:

- entering any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Company's annual budget as approved by the Department;
- 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 in the scale of operation or funding of any initiative or scheme previously approved by the Department, where such a change will have a significant impact on the Company's overall operational and financial position;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

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

**20.1** Unless agreed by the Department and, as necessary, HM Treasury, the Company shall follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the EWR Sponsor Team in the first instance. A list of guidance and instructions with which the Company should comply is in Appendix [1].

**20.2** Once the budget has been approved by the Department, the Company shall have authority to incur expenditure approved in the budget without further reference to the sponsor Department, on the following conditions:

- the Company shall comply with the delegations set out in the Delegated Authorities Letter. These delegations shall not be altered without the prior agreement of the sponsor Department;
- the Company shall comply with *Managing Public Money* regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal Departmental approval (and also Cabinet Office approval) where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- where pertaining to remuneration (including pension, redundancy or good will payments), this is in line with the conditions below (section[21])\_
- the Company shall provide the sponsor Department with such information about its operations, performance individual projects or other expenditure as the sponsor Department may reasonably require.

## 21 Staff

### *Broad responsibilities for staff*

**21.1** Within the arrangements approved by the Secretary of State and, where applicable, HM Treasury, the Company will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised, employees are clear about what is expected of them and the Company performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Company's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- 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*  
[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).

### *Pay and conditions of service*

**21.2** The Company's levels of remuneration and terms and conditions of service (including pensions) should be designed to recruit, attract, develop and motivate suitably skilled staff, taking into consideration value for money to the taxpayer as well as commercial efficiency and market conditions. This will have regard to public sector pay and terms, and to public sector guidance such as HM Treasury's Guidance for approval of senior pay.

**21.3** The Secretary of State will set pay for the Chair and other non-executive Directors. The approval of the Chief Secretary to HM Treasury will be sought when required to do so by public sector pay guidance, as updated from time to time<sup>1</sup>.

**21.4** The Remuneration Committee must develop a three year Remuneration Policy which sets out the structure for pay, remuneration (including any long or short term incentive schemes) and conditions of service for Board members (including the executive Directors) and other Company staff for approval by the Board. The Remuneration Policy and any changes to it, also require the approval of the Secretary of State and if applicable, the Chief Secretary to HM Treasury

**21.5** Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the Department together with subsequent amendments.

**21.6** The travel expenses of Directors shall be tied to the rates allowed to senior staff of the Company. Reasonable actual costs shall be reimbursed. This is described in the Company's expenses policy.

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

#### *Pensions, redundancy and compensation*

**21.8** Company staff will normally be eligible for a pension provided by its own scheme. The Company will make appropriate arrangements for staff to join a suitable independent personal pension provider, which will attract an employer's contribution.

**21.9** Any proposal by the Company to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office above statutory requirements or as set out in approved terms and conditions, requires the prior approval of the Department. Proposals on severance must comply with the rules in chapter 4 of *Managing Public Money*, with a cap on exit payments to any individual of £95,000.

**21.10** Support to the Company will initially come from the EWR Sponsor team, who will benefit from the Department's HR team expertise when required.

## **22 Review of the Company**

The role and status of the Company and this Framework Agreement must be reviewed by the Department every 24 months, or sooner in the event of a material change to the Company's aims.

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/667828/Guidance\\_for\\_approval\\_of\\_senior\\_pay.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/667828/Guidance_for_approval_of_senior_pay.pdf)

## **23 Arrangements if the Company is wound up**

**23.1** The Department shall put in place arrangements to ensure the orderly winding up of the Company. It should ensure that the assets and liabilities of the Company are passed to any successor organisation and accounted for properly. (If there is no successor organisation, the assets and liabilities should revert to the Department.) To this end, the Department shall:

- ensure that procedures are in place by the Company to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the Company's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. If another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. If the Department inherits the role, responsibilities, assets and liabilities, the Department's AO should sign.

**23.2** The Company shall provide the Department with full details of all agreements where the Company or its successors have a right to share in the financial gains of counterparties. It should also pass to the Department details of any other forms of claw-back due to the Company.

SIGNATURES

Signed on behalf of the Department:

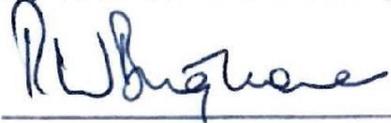


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Clive Maxwell  
Director General for  
High Speed Rail and Major Projects,  
Department for Transport

Date: 10/9/18

Signed on behalf of the Company:



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Rob Brighthouse  
Interim Chair,  
East West Railway Company

Date: 10/9/18

## APPENDIX 1

### **General guidance documents and instructions**

The Body shall comply with the following:

- this document;
- Assurance Frameworks guidance, HM Treasury  
<https://www.gov.uk/government/publications/assurance-frameworks-guidance>
- DfT Controls Approvals: a list of controls which apply to DfT, its executive agencies and arm's-length bodies, available on request
- Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*  
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-Departments> ;
- *Code of Conduct for Board Directors of Public Bodies*  
[http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf)
- *Code of Practice for Ministerial Appointments to Public Bodies*  
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- *Managing Public Money* (MPM);
- Public Sector Internal Audit Standards,  
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
- Management of Risk: Principles and Concepts: ;  
<https://www.gov.uk/government/publications/orange-book>
- DfT Risk Management Policy, updated 2018  
<https://intranet.dft.gsi.gov.uk/page/about-risk-management>
- HM Treasury Guidance on Tackling Fraud,  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf) ;
- Government Financial Reporting Manual (FReM),  
<https://www.gov.uk/government/publications/government-financial-reporting-manual>;
- Fees and Charges Guide, Chapter 6 of *Managing Public Money*;

- Departmental Banking: A Manual for Government Departments, annex 5.6 of *Managing Public Money*;
- relevant Dear Accounting Officer letters  
<https://www.gov.uk/government/collections/dao-letters> ;
- Regularity, Propriety and Value for Money,  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm);
- The Parliamentary and Health Service Ombudsman’s Principles of Good Administration <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples> ;
- Partnerships between Departments and ALBs: Code of Good Practice
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- 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);
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the Company.