

# **FRAMEWORK AGREEMENT FOR THE WESTMINSTER FOUNDATION FOR DEMOCRACY**

1. Purpose of the WFD
2. WFD Legal Origins of Powers and Duties
3. Overall Aims
4. Ministerial Responsibility
5. The FCO's Accounting Officer's Specific Accountabilities and Responsibilities
6. Responsibilities of the Chief Executive as WFD Accounting Officer
7. The WFD Board
8. Annual Reporting and Accounts
9. Internal Audit
10. External Audit
11. *Managing Public Money* and other Government-wide Corporate Guidance and Instructions
12. Corporate Governance
13. Risk Management Procedures and Arrangements
14. Corporate Plans and Multi-year Strategy
15. Budgeting Procedures
16. Grant-In-Aid And Any Ring-Fenced Grants made by the FCO or other Departments
17. Reporting Performance to the Department
18. Delegated Authorities
19. WFD Staff
20. Review
21. Procedures for Winding Up

This Framework Agreement has been drawn up by the Foreign and Commonwealth Office (hereafter “the FCO”) in consultation with the Westminster Foundation for Democracy (hereafter “WFD”) and replaces the Framework Agreement and its associated Financial Memorandum dated 20 November 2013. This document sets out the broad framework within which the WFD will operate. The document does not convey any legal powers or responsibilities, and despite being referred to as an agreement, is not intended to be legally binding or legally effective in any way. It is signed and dated by the FCO and the WFD. Copies of the document and any subsequent amendments have been made available to members of the public on GOV.UK and the WFD website.

## **1 Purpose of the WFD**

1.1 The WFD has been set up in order to support the strategic aims of the FCO as the sponsor department. The Memorandum of Association and Articles of Association set out the WFD’s aim of assisting, supporting, and encouraging the peaceable establishment and development of pluralist democratic practices and institutions, particularly parliaments and political parties; and providing advice, guidance, and practical assistance in support of democratic electoral processes.

## **2 WFD Legal Origins of Powers and Duties**

2.1 The WFD is established under The Companies Act 2006. It is a Company Limited by Guarantee with no share capital and an Arms-Length Body of the FCO. The constitution of the WFD is set out in section three of the Memorandum of Association dated 24 February 1992. The WFD does not carry out its functions on behalf of the Crown.

## **3 Overall Aims**

3.1 Subject to the Memorandum and Articles of Association, WFD’s vision is to contribute to the universal establishment of legitimate and effective, multi-party, representative democracy; and its mission is to support inclusive and effective governance that strengthens policy-making, electoral processes, transparency and accountability, representation and citizen participation – at local, national, regional, and global levels.

3.2 The current strategic objectives of the WFD will be set out, from time to time, in a multi-year Strategy.

## **4 Ministerial Responsibility**

4.1 The Secretary of State for Foreign and Commonwealth Affairs (hereafter “Foreign Secretary”) acting through ministers and officials of the FCO will account for the WFD’s business in Parliament. His/her responsibilities include:

- Approving, from time-to-time, the WFD’s multi-year Strategic Framework, or Strategy (hereafter “Strategy”) and the policy and performance framework within which the WFD will operate (as set out in this Framework Agreement and associated documents);

- keeping Parliament informed about the WFD's performance, including the laying in Parliament of WFD's accounts, and issuing accounts directions to WFD in line with HM Treasury guidance;
- approving a proposal for a multi-year funding settlement for WFD as part of each Spending Review, subject to WFD meeting their obligations and FCO funding being available;
- approving the amount of annual grant-in-aid to be paid to the WFD, and securing Parliamentary approval for the relevant estimate;
- carrying out responsibilities specified in the Memorandum of Association and Articles of Association including appointments to the Westminster Foundation for Democracy Board (the "Board"), approving the terms and conditions of Board members, approving the appointment by the Board of the Chief Executive, and laying of the annual report and accounts before Parliament; and
- Ensuring that a junior minister meets with the WFD Chief Executive and Chair on at least an annual basis

## **5 The FCO's Accounting Officer's specific Accountabilities and Responsibilities**

5.1 The Permanent Under Secretary, the FCO's Principal Accounting Officer (AO), has designated the Chief Executive as the WFD's Accounting Officer. (The respective responsibilities of the AO and Accounting Officers for NDPBs and other arm's length bodies are set out in Chapter 3 of Managing Public Money, which is sent separately to the WFD Accounting Officer on appointment).

5.2 The FCO's AO is accountable to Parliament for the issue of any grant-in-aid to the WFD. The FCO's AO shall meet with the WFD Chief Executive at least annually and is responsible for advising the responsible minister on:

- an appropriate multi-year Strategy (and any amendments from time to time) for the WFD in the light of the FCO's wider strategic aims;
- confirmation of an appropriate multi-year funding plan, aligned to each Spending Review, and a corresponding annual grant-in-aid budget for the WFD in the light of the FCO's overall public expenditure priorities;
- how well the WFD is achieving its strategy and whether it is delivering value for money;
- the financial and other management controls applied by the FCO to the WFD, ensuring that they are appropriate and sufficient to safeguard public funds and that the WFD's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the WFD by Parliament but also any other funds generated by approved activities or falling within the stewardship of the WFD).

5.3 The FCO's AO is also responsible for ensuring arrangements are in place in order to:

- monitor the WFD's activities on a continuous basis;
- address any significant problems should they arise in the WFD, making such interventions as are judged necessary; including monitoring financial position and taking necessary steps in the eventuality of funding not being managed properly;
- periodically carry out an assessment of the risks both to the FCO's and WFD's objectives and activities;
- inform the WFD of its multi-year funding and annual grant-in-aid allocation and any relevant government policy in a timely manner;

- identify opportunities to facilitate WFD's involvement in the development and implementation of relevant government policy in a timely manner;
- bring concerns about the activities of the WFD to the full (WFD) Board, requiring explanations and assurances that appropriate action has been taken.

5.4 The Human Rights Policy Unit, Multilateral Policy Directorate in the FCO is the primary contact for the WFD. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the WFD. They also support the FCO's AO on his or her responsibilities toward the WFD.

## **6 Responsibilities of the Chief Executive as WFD Accounting Officer**

6.1 The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the WFD. In addition, he or she should ensure that the WFD as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

### Responsibilities for accounting to Parliament

6.2 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 Foreign Secretary;
- signing an Agreement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the WFD are established and made widely known within the WFD;
- a Governance Statement in the Accounts that discusses the risks, mitigating actions and system of control adopted by WFD;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the FCO, the Treasury and the Cabinet Office;
- giving evidence, normally with the AO of the FCO, when summoned before the Public Accounts Committee (PAC) on the WFD's stewardship of public funds.

### Responsibilities to the FCO

6.3 Particular responsibilities of the FCO include:

- establishing, in consultation with the FCO, an annual corporate plan in the light of WFD's multi-year strategy; and updating the FCO on its progress in implementing these;
- informing the FCO of progress in helping to achieve the FCO'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 FCO on a monthly basis in line with DFID/HMT ODA

reporting requirements; that the FCO is notified promptly if material over or under spends are likely and that corrective action is taken; and that any significant problems or risks whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the FCO in a timely fashion.

### Responsibilities to the Board

6.4 The Chief Executive is responsible for:

- advising the WFD Board on the discharge of the Board's responsibilities as set out in this document and in any other relevant instructions and guidance that may be issued from time to time;
- proposing, from time to time, a multi-annual strategy (and any amendments) and an annual corporate plan, and advising the Board on the WFD's performance compared with the aims and objectives of the strategy and annual 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 paragraph 3.8.6 of Managing Public Money if the Board, or its Chairman, 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, demonstrates questionable feasibility, or is unethical.

## **7 The WFD Board**

### Board appointments - the Chairman and Board members; Committees

7.1 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board must set up an Audit & Risk Assurance Committee chaired by an independent non-executive Board member to provide independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

7.2 The Board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of the WFD consistent with its overall strategic direction and within the policy and resources framework determined by the Foreign Secretary;
- approving and overseeing the implementation of a multi-year Strategy of the WFD consistent with its overall purpose and within the policy and resources framework determined by the Foreign Secretary;
- ensuring that the responsible minister is kept informed of any changes which are likely to impact on the strategic direction of the WFD or on the attainability of its Strategy, 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 FCO, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the FCO;
- receiving and reviewing regular financial information concerning the management of the WFD;

- is informed in a timely manner about any concerns about the activities of the WFD; and provides positive assurance to the department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent Audit & Risk Assurance Committee to help the Board to address key financial and other risks;
- appointing, with the Foreign Secretary's approval, a Chief Executive and, in consultation with the FCO, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilization of public resources;
- ensure that effective arrangements are in place to consider matters relating to the terms and conditions and welfare of WFD's employees. The Board must establish and maintain a People Committee to provide strategic guidance;
- the Board may establish other Committees, from time to time, to facilitate effective decision-making or strategic oversight;
- ensuring that effective arrangements are in place to provide assurance on the quality and impact of its programmes;
- establishing and maintaining a Programme Quality Committee chaired to provide strategic guidance.

#### The Chairman's personal responsibilities

7.3 The Chairman is responsible to the Foreign Secretary. Communications between the WFD Board and the Foreign Secretary should normally be through the Chairman. He or she is responsible for ensuring that policies and actions support the Foreign Secretary's 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 WFD.

7.4 In addition, the Chairman has the following leadership responsibilities:

- formulating the Board's programme of business and approving meeting agendas;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the FCO;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

7.5 The Chairman also has an obligation to ensure that:

- the work of the Board and its members is reviewed and is working effectively;
- the Board has a balance of skills appropriate to directing the WFD business, as set out in the Government Code of Good Practice on Corporate Governance;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of WFD needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being considered for re-appointment;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

## Individual Board members' responsibilities

### 7.6 Individual Board members should:

- comply at all times 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 in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the WFD.

## **8 Annual Reporting and Accounts**

8.1 The WFD must publish an annual report of its activities together with its audited accounts after the end of each financial year. The WFD shall provide the FCO its finalised (audited) accounts each year in sufficient time to allow the Foreign Secretary, acting through his minister and officials to approve laying the accounts in parliament before summer recess, along with such other financial information as may be required for the purposes of FCO reporting.

### 8.2 The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Companies Act 2006 and should also follow the principles in the FREM and provide the additional disclosures required by the FREM where these go beyond the Companies Act;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

8.3 Information on performance against key financial targets is within the scope of the FREM, and the requirement of the FREM on content should be followed. The report and accounts shall be laid in Parliament and made available on the WFD website. A final version of the report should be submitted to the FCO before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the FCO as well as the Companies Act 2006 and the FREM.

## **9 Internal Audit**

### 9.1 WFD shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS);
- ensure the FCO is satisfied with the competence and qualifications of the proposed WFD's Internal Audit services provider, prior to appointment, and the requirements for approving appointments in accordance with Public Sector Internal Audit Standards (PSIAS).
- forward the audit strategy, periodic audit plans and annual audit report, including the Internal Audit service provider's opinion on risk management, control and governance as soon as possible to the FCO. FCO Internal Audit shall review audit committee papers for evidence of: the Internal Audit plan (presented and agreed, normally in March); Internal Audit findings (reported to the ARAC, throughout the

year); and the Internal Audit opinion for the year (where applicable, normally in June); and

- keep records of, and prepare and forward to the FCO an annual report on, material fraud and theft suffered by the WFD of £5000 and over, and notify the FCO of any unusual or major incidents as soon as possible.

9.2 The FCO's internal audit service has a right of access to all documents prepared by the WFD internal auditor, including where the service is contracted out.

## **10 External Audit**

10.1 The Comptroller & Auditor General (C&AG) audits the WFD annual accounts and gives an opinion to Parliament, which is included in the Annual Report and Accounts. In the event that the WFD has set up and controls subsidiary companies, the WFD will ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or accounts are consolidated within its own accounts. In relation to any subsidiaries (or equivalent) of WFD incorporated outside of the UK, WFD will ensure that, to the extent required by local law and accountancy standards, an appropriate auditor is appointed and that any audit report is shared with the C&AG.

10.2 The C&AG:

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

10.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the WFD 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 WFD 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

10.4 The FCO has the right of access to all WFD records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

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

11.1 Unless agreed by the FCO, who can consult HM Treasury as necessary, WFD shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to Finance Policy team in the FCO in the first instance. A list of guidance and instructions with which the WFD should comply is in Appendix A.

11.2 Once the WFD's budget (drawn up in consultation with the FCO) has been approved by the Board and subject to any restrictions imposed by this document, the WFD shall have general delegated authority to incur expenditure approved in the budget without further reference to the FCO, on the following conditions:

- the WFD shall comply with the conditions set out in paragraph 11 above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the WFD's budget shall not remove the need to seek formal FCO approval where any proposed expenditure is outside the delegated limits or is for new schemes outside of the agreed multi-year Strategy for WFD;
- the WFD shall provide the FCO with such information about its operations, performance, individual projects or other expenditure as the FCO may reasonably require.

## **12 Corporate governance**

### Board appointments -the chairman and board members

12.1 The WFD Chair and Board members are appointed for a period of three years by the Foreign Secretary. Such appointments may be renewed by the Foreign Secretary once. No Board member shall serve more than two consecutive terms of office. Such appointments will comply with the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies.

### Board appointments – the chief executive

12.2 The appointment of the Chief Executive is approved by the Foreign Secretary in consultation with the Chairman.

### Composition of the Board

12.3 In line with the government's Code of good Practice (<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>), The Board shall consist of ten non-executive Governors, of whom six are nominated by the Westminster political parties and four are independent, in addition to two executive ex-officio members, from WFD staff, typically the Chief Executive and senior finance lead. The four independent governors are selected through

an open competition in line with the Code of Practice issued by the Commissioner for Public Appointments; such selection to be guided by WFD's assessment as to the experience, expertise, skills, competencies required for the effectiveness of the Board.

### **13 Risk management**

- 13.1 The WFD shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management policy and practice, in accordance with the Treasury guidance Management of Risk: Principles and Concepts and Managing Public Money 4.3. The WFD shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Managing Public Money Annex 4.7. The WFD shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give a grant.

### **14 Corporate Plans and Multi-year Strategy**

- 14.1 The WFD shall submit to the FCO, from time to time, a draft of the Strategy covering up to a five-year period. The WFD shall agree with the FCO the issues to be addressed in the Strategy and the timetable for its preparation. The Strategy shall reflect the WFD's statutory duties (if any) and, within those duties, the priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how the WFD contributes to the achievement of the FCO's priorities. The Strategy should be published by WFD.
- 14.2 In line with the Strategy, WFD shall submit to the FCO an annual corporate plan. The corporate plan shall usually include priorities and/or key deliverables and milestones and/or key performance indicators for the year immediately ahead and be linked to a budget.
- 14.3 The following key matters should be included in the Strategy and/or the annual corporate plan:
- The vision, mission, and outcomes (linked to a theory of change and results framework) to be achieved over the multi-annual period, and the strategy for achieving those outcomes;
  - The annual priorities, key deliverables, and associated key performance indicators (financial and non-financial) and targets for the annual period; and;
  - 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 FCO and the WFD.

### **15 Budgeting Procedures**

FCO and WFD acknowledge that WFD is an arms-length body of the FCO which is fully consolidated into the FCO's accounts. The planning and monitoring requirements set out below are therefore to enable the FCO to adequately manage the overall group accounts rather than restrict WFD activity.

- 15.1 Each year, by April, in the light of decisions by the FCO on the Strategy; the multi-year funding settlement confirmed to WFD following each Spending Review; and the proposed corporate plan, the FCO will send to the WFD:
- a formal statement of the annual budgetary provision allocated through the grant in aid by the FCO in the light of competing priorities across the FCO and of any forecast income approved by the FCO; and
  - a statement of any planned change in policies affecting the WFD.
- 15.2 The WFD's approved annual corporate plan will take account both of its approved funding provision and of any forecast receipts and expenditure, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any FCO funding and/or other income over the year. These elements will form part of the corporate plan for the year in question
- 15.3 The WFD's current grant in aid and capital expenditure form part of the FCO's Resource DEL and Capital DEL respectively. The WFD must consult the FCO on any proposal to spend non-capital grant in aid on capital projects or vice-versa.
- 15.4 The WFD shall not, without approval of the WFD Board of Governors, enter into any undertaking to incur any expenditure which is not provided for in the WFD's corporate plan and annual budget as approved by the WFD Board of Governors.

#### Receipts

- 15.5 Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends must be accounted for as income and shown separately in an income note. Only if WFD is acting as an agent of a third party which is paying the income can the income be classified as negative public expenditure and offset against DEL.
- 15.6 Any income as in 15.5 only gives additional DEL spending power if it outside of WFD's budget and is spent in the same year it is received. If there is any doubt about the correct classification of a receipt the WFD shall consult the FCO, who will consult the Treasury as necessary.
- 15.7 WFD is allowed to seek programme funding from other UK government bodies, international institutions, foreign governments, charities or non-profit agencies or associations, and/or private sector corporations. If the additional income realised or expected to be realised in-year is less than estimated, the WFD shall, unless otherwise agreed with the FCO or where such additional income would be restricted to meet additional incremental costs, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. If the additional income realised or expected to be realised in the year is more than estimated, but is restricted to meet additional incremental costs, WFD may retain the excess income for that purpose. If the income realised or expected to be realised in the year is more than estimated but is unrestricted in nature, WFD may apply to the FCO to retain the excess income (over and above the grant in aid which cannot be carried over) for additional expenditure in future financial years. The FCO shall consult the Treasury as necessary about the budgeting treatment of such income.
- 15.8 The WFD shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL. Any build-up of deposits will need to be agreed

with the FCO. The WFD shall ensure that it has the necessary DEL provision for any expenditure financed by drawdown of deposits.

15.9 The WFD is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. (Before proceeding in this way the WFD shall consider if there are any associated costs in doing so or any conflicts of interests arising. The WFD shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

15.10 The WFD shall be permitted to build and maintain a reserve from income receipts but this must not include grant in aid funds. In consultation with the FCO, WFD shall develop and adopt a Reserves Policy. In general, The FCO must agree to funds being put into the reserve, and for funds to be spent from the reserve, provided that WFD shall have delegated authority to deal with its reserves, by adding to or drawing down, up to the value of £50,000 per transaction with a delegated authority limit set at £100,000 in aggregate per financial year. Beyond that delegated limit, the FCO's prior authority must be obtained for any proposed dealings with the reserves. As part of its annual budget and quarterly forecasts, as submitted to the FCO, WFD will include any forecast movement in reserves anticipated in-year or at year-end.

#### Capital expenditure

15.11 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

15.12 Proposals for large-scale individual capital projects (valued at £50,000 or higher), or acquisitions will normally be considered within the WFD's corporate planning process. Applications for approval by the FCO shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Regular reports on the progress of large-scale projects shall be submitted to the FCO.

15.13 Within its approved overall resources limit the WFD shall have delegated authority to spend up to £50,000 on any individual capital project or acquisition. Beyond that delegated limit, the FCO's prior authority must be obtained before expenditure on an individual project or acquisition is incurred. Capital purchases must be made from WFD's capital budget. If WFD do not have enough capital then they may seek FCO approval for additional capital, which may come with a corresponding RDEL grant-in-aid reduction.

15.14 The WFD shall maintain an accurate and up-to-date register of its fixed assets in excess of £2,000 in value.

#### Disposal of assets

15.15 The WFD shall dispose of assets that are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets shall be sold by auction or competitive tender unless otherwise agreed by the FCO.

15.16 The WFD may normally retain receipts derived from the sale of assets provided that:

- (i) the FCO and the Treasury are content for the WFD to retain these receipts;

- (ii) they are used to finance other capital spending within the same financial year. Financing capital spending across financial years will require FCO approval;
- (iii) the FCO receives prior notification of individual sales; and
- (iv) total sales in any financial year do not exceed 3% of the WFD's grant-in-aid

- 15.17 If, notwithstanding the above, the WFD disposes of assets which have been purchased, improved or developed with Exchequer funds and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the FCO, which shall then submit an Estimate seeking approval for the receipts to be appropriated in aid by the FCO and for a corresponding increase in the WFD's grant-in-aid. If the proposed new investment exceeds the WFD's relevant delegated authority the FCO's approval will be needed. If the proposed new investment is novel or contentious the Treasury's approval will be also needed.
- 15.18 If the criteria in the paragraph above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts.

#### Recovery of grant-financed assets

- 15.19 Where the WFD has financed expenditure on capital assets by a third party, the WFD shall make appropriate arrangements to ensure that any such assets above a value of £30,000 are not disposed of by the third party without the WFD's prior consent.
- 15.20 The WFD shall therefore ensure that such conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale, in order that funds may be surrendered to the FCO.
- 15.21 The WFD shall ensure that if the assets created by grants made by the WFD cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the WFD for surrender to the FCO. The amounts recoverable under the procedures in paragraphs 15.15-15.18 above shall be calculated by reference to the best possible value of the asset and in proportion to the Exchequer's original investments in the asset.

#### Transfer of funds within budgets

- 15.22 Unless financial provision is subject to specific FCO or Treasury controls (e.g., where provision is ring-fenced for specific purposes), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need FCO approval. Transfers from the revenue to the capital budget or vice-versa do need FCO approval.

#### Lending, guarantees, indemnities; contingent liabilities; letters of comfort

- 15.23 The WFD shall not, without the FCO's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in *Managing Public Money*), whether or not in a legally binding form, save where such commitments are entered into in the ordinary course of business and may be valued, in each case, lower than the value of WFD's reserves at the relevant time. In instances where HMT approval is required, FCO will liaise with HMT on the WFD's behalf.

#### Grant or loan schemes

- 15.24 All proposals to make a grant or loan to a third party, whether one off or under a scheme, outside of WFD's Strategy shall be subject to prior approval by the FCO, together with the terms and conditions under which such grant or loan is made. If

grants or loans are to be made under a continuing scheme statutory authority is likely to be required.

15.25 The terms and conditions shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the WFD, the FCO and the C&AG.

#### Gifts made, write-offs, losses and other special payments

15.26 Proposals for making gifts or other special payments (including write-offs) must have the prior approval of the FCO and the Board of Governors, save where such commitments are entered into in the ordinary course of business and may be valued. The threshold for such payments are as follows::

- Special severance payments, £0
- Gifts, £100
- Ex gratia payments, £500
- Write off losses, between £500-£25,000 (any write offs exceeding £25,000 must have prior approval)

#### Leasing

15.27 Prior FCO approval must be secured for all property and finance leases in the UK. The WFD must have capital DEL provision for finance leases and other transactions, which are in substance borrowing.

15.28 Before entering into any lease (including an operating lease) the WFD shall demonstrate that the lease offers better value for money than purchase.

#### Subsidiary companies and joint ventures

15.29 For the avoidance of doubt, WFD shall not be required to seek prior approval from the FCO for the establishment of branches, subsidiaries or equivalent entities. However, WFD agrees to consult the FCO on such decisions, namely FCO London in relation to the UK or where this is required to facilitate its activities overseas, WFD shall liaise with the relevant embassy or high commission to share project information.

15.30 Any subsidiary company or joint venture controlled or owned by the WFD shall be consolidated with it in accordance with the FREM. Unless specifically agreed with the FCO and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this Framework Agreement and Financial Memorandum and to the further provisions set out in supporting documentation.

#### Financial investments

15.31 [Subject to paragraph 15.10 (reserves)]The WFD shall not make any investments in traded financial instruments without the prior written approval of the FCO, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of the WFD shall equally be subject to FCO approval unless related to overseas entities established to facilitate the delivery of WFD's activities.

#### Unconventional financing

15.32 Unless otherwise agreed with the FCO, the WFD shall not enter into any unconventional financing arrangement.

#### Commercial insurance

15.33 The WFD shall not take out any insurance without the prior approval of the FCO, other than business travel and special risks insurance and any insurance which is a

statutory obligation or which is permitted in box A4.4.B of *Managing Public Money*, namely:

- items the WFD is required to insure, e.g. vehicles where the Road Traffic Acts require it.
- physical assets where a cost benefit analysis supports the case for insurance and the FCO agrees.
- goods owned by the WFD receiving less than 50% of their income from the Exchequer (through grant-in-aid or fees and charges). Commercial insurance protects the risk to the Exchequer from claims from third parties.
- items used by the WFD for income generation schemes to supplement the approved level of public spending. Commercial insurance is appropriate to cover the risks if costs or losses could not be met out of receipts.

15.34 The FCO shall issue a certificate confirming WFD's exemption from insurance requirements. Should circumstances arise in which the WFD becomes aware of a potential major loss or third-party claim, the FCO should be notified immediately. The WFD should set out the background factors, the best estimate of the potential financial liability, and advice on whether the WFD is likely to be liable for the loss or claim. Based on these facts, the FCO shall agree with the WFD whether an addition to the WFD budget shall be considered, or whether the liability should be met from WFD reserves.

#### Banking arrangements

15.35 The WFD's Accounting Officer is responsible for ensuring that the WFD's banking arrangements are in accordance with the requirements of *Managing Public Money*. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

15.36 He/she shall therefore ensure that in the UK:

- these arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
- sufficient information about banking arrangements is supplied to the FCO's Accounting Officer to enable the latter to satisfy his/her own responsibilities;
- the WFD's banking arrangements shall be kept separate and distinct from those of any other person, NDPB or organisation;
- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

#### Commercial

15.37 The WFD's procurement policy shall reflect guidance from the Cabinet Office and any successor body with responsibility for public procurement law and policy. The WFD shall also ensure that it complies with any relevant international procurement rules.

15.38 Subject to the requirements of WFD's procurement policy, as appropriate contracts for goods or services shall be placed on a competitive basis and quotations or tenders accepted from suppliers who provide best value for money.

- 15.39 Proposals to let sole or single source contracting shall be subject to approval by the WFD Accounting Officer (or his/her delegate in each case) in each case, and the WFD shall send to the FCO sponsor team after each financial year a report for that year explaining any contracts above £15,000 in which competitive tendering was not employed. Where WFD's internal processes and Cabinet Office controls have been breached, the sponsor team will need to be informed and then the Internal Audit Departments for both the sponsor team and the WFD will need to be alerted.
- 15.40 Procurement by the WFD of works, equipment, goods and services shall be based on value for money. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

#### Timeliness in paying bills

- 15.41 The WFD shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days. The WFD shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended.

#### Wider markets

- 15.42 The WFD shall seek, as far as possible, to maximise receipts from sources other than the Exchequer, where this does not interfere with, and is consistent with, its main functions and is in line with its Strategy and Corporate Plan as agreed with the FCO and Government policy on wider markets. Such sources may include UK or international bodies in the governmental, non-governmental or private sectors and include contributions for programme funding from e. g. DFID, the UNDP, EU, etc.

#### Fees and charges

- 15.43 Fees or charges for any services supplied by the WFD shall be determined in accordance with *Managing Public Money*, and with the Freedom of Information Act 2000.

### **16 Grant-In-Aid and Any Ring-Fenced Grants made by the FCO or other Departments**

- 16.11 Any grant-in-aid provided by the FCO for the year in question will be voted in the FCO's Supply Estimate and be subject to Parliamentary control.
- 16.12 The grant-in-aid will normally be paid in quarterly instalments on the basis of written applications showing evidence of need. The WFD will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the WFD. 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 FCO 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. The FCO agrees that, subject always to availability of funding, upon request by WFD, FCO will allow WFD to draw down more or less grant-in-aid than the annual allocation in any given financial year, provided always that the overall value of grant-in-aid disbursed over the relevant funding cycle does not exceed the multi-year funding settlement confirmed for WFD.



## **17 Reporting Performance to the FCO**

17.11 The WFD 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 Strategy and annual corporate plan. At each quarterly meeting referred to below, the WFD shall provide a report relating to its performance against the Corporate Plan and budget and inform the FCO of any changes that make achievement of objectives more or less difficult. WFD will highlight any financial risks, including underspend and mitigation recommendations on how to manage risks.

### Providing monitoring information to the FCO

17.12 As set out in the Framework Agreement, the WFD shall provide the FCO with information on a monthly basis which will enable the satisfactory monitoring by the FCO of:

- the WFD's cash management;
- its draw-down of any grant-in-aid;
- other data required for the Online System for Central Accounting Reporting

### WFD/FCO working level liaison arrangements

17.13 Officials in the FCO will liaise regularly with WFD officials, including a quarterly meeting, to review WFD's performance against the annual corporate plans and budget, overall achievement against the WFD Strategy, and the WFD expenditure against its Delegated Expenditure Limit and Annually Managed Expenditure allocations. The team will also take the opportunity to explain wider policy developments that might have an impact on the WFD.

17.14 The FCO recognises that it has non-financial resources, including expertise, experience, policies/procedures, and systems, that will enable WFD to operate more effectively and efficiently in the delivery of its Strategy and the FCO's priorities. Accordingly, FCO and WFD agree to use their best endeavours to cooperate, share information, and regularly consider opportunities to implement increased sharing of resources, particularly in relation to geographic and thematic expertise, learning and development, safety and security, procurement, legal and compliance, finance, and human resources.

17.15 The FCO and WFD acknowledge that improved coordination and collaboration, particularly relating to programming activities, between WFD Country Offices and relevant UK Embassies or High Commissions is a shared priority. As such, they commit to establishing a framework for collaboration that can be adapted by each post to reflect the practical steps, as required by local context and need, to facilitate improved strategic alignment.

## **18 Delegated Authorities**

18.1 The WFD shall obtain the consent of the Board of Governors and the approval of the FCO (who will in turn seek HMT approval if necessary) before:

- entering into any undertaking to incur any expenditure that falls outside of the delegations or which is not provided for in the WFD's annual budget as approved by the FCO
- incurring any expenditure for any purpose which is or might be considered novel, contentious or repercussive, or which has or could have significant future cost implications, including on staff benefits;
- subject to paragraph 15.23, report any new contingent liability to the FCO, and obtain HM Treasury approval if required, before accepting the liability;
- making any significant change in the scale of operation or funding of any initiative or particular scheme outside of the Strategy approved by the FCO;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

18.2 The WFD has delegated authority, in accordance with the Memorandum and Articles of Association, other than in connection with the specific reserved matters set out in this Framework Agreement, that require the prior approval of the FCO.

18.3 For the avoidance of doubt, WFD shall not be required to seek prior approval from the FCO for the establishment of branches, subsidiaries or equivalent entities. However, WFD agrees to consult the FCO on such decisions, namely FCO London in relation to the UK or where this is required to facilitate its activities overseas, WFD shall liaise with the relevant embassy or high commission to share project information.

18.4 The WFD shall also comply with the guidance contained in the appendixes of this document.

## **19 WFD Staff**

### **Broad responsibilities for WFD staff**

19.1 Within the arrangements approved by the Foreign Secretary, the WFD 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 managed openly, fairly and based on merit: there is no discrimination on grounds of gender, sex, marital status, sexual orientation, gender reassignment, race, colour, ethnic or national origin, religion or belief, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the WFD performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate competencies and skills to achieve the WFD 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 1998 are in place;

- a code of conduct for staff is in place based on the principles of the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies and sector standards.

### Staff costs

19.2 The WFD shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its reasonably anticipated ability to pay for them in future financial periods.

### Pay and conditions of service

19.3 The UK-based staff of the WFD, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) within a WFD Pay Policy approved by the FCO. The WFD will aim to follow the general principles of public sector pay and the annual pay guidance issued by HM Treasury. The WFD has no delegated power to make material amendments to the WFD Pay Policy without the prior approval of the FCO. These provisions do not apply to overseas staff or office staff supplied e.g. through an agency to temporarily fill vacant permanent posts.

19.4 Current terms and conditions for staff of the WFD are those set out in its HR Policies procedures. The WFD shall provide the FCO with a copy of the policies and procedures, and material amendments, upon request.

19.5 The travel expenses of Board Members shall be tied to the rates allowed to staff of the WFD. Reasonable actual costs shall be reimbursed.

19.6 The WFD shall comply with the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

### Pensions; redundancy/compensation

19.7 The WFD's UK staff are eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (PCSPS) and WFD will also manage employee exits in accordance with the Civil Service compensation scheme policy and procedures.

19.8 Any proposal by the WFD to move from the existing pension arrangements for UK staff requires the prior approval of the FCO. WFD shall also notify the FCO of any decisions to pay any redundancy (or equivalent) in connection with its UK staff. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

## **20 Review**

20.1 The WFD will be reviewed once during every Parliament, and the Framework Agreement and Financial Memorandum will be included in the remit of this review. The next review will be in FY2022-23.

## **21 Procedures for Winding Up**

21.1 The FCO shall put in place arrangements to ensure the orderly winding up of the WFD. In particular it should ensure that the assets and liabilities of the WFD are returned to the FCO and are accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the FCO.) To this end, the FCO shall:

- ensure that procedures are in place in the WFD 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 WFD'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.
- arrange for the most appropriate person to sign the closing accounts. In the event that another NDPB takes on the role, responsibilities, assets and liabilities, the succeeding NDPB AO should sign the closing accounts. In the event that the FCO inherits the role, responsibilities, assets and liabilities, the FCO's AO should sign.

21.2 The WFD shall provide the FCO with full details of all agreements where the WFD or its successors have a right to share in the financial gains of developers. It should also pass to the FCO details of any other forms of claw-back due to the WFD. The WFD shall provide FCO, or its successor, with full access WFD should to the details contained within its accounting systems.

21.3 For the avoidance of doubt, the FCO and WFD acknowledge and agree that WFD is not expected to plan or provide for the costs associated with WFD's winding-up. WFD should take all care to ensure such costs are kept to a minimum. In the event that WFD is wound-up, WFD should take all reasonable care to ensure such costs are kept to a minimum. The WFD will provide such assistance as FCO may reasonably request in an orderly winding up, including measures to control risk during the process.

## **22 Data Protection**

When processing personal data WFD will be the controller of that data for the purposes of the General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) as supplemented by the Data Protection Act 2018 (as revised and superseded from time to time) (DPA 2018)).

In this regard it will abide by all applicable Data Protection Legislation which for these purposes means the GDPR, DPA 2018 and any other applicable laws relating to data privacy.

In particular, it will ensure that it –

a) Complies with the data protection principles and rights of data subjects as set out in the GDPR.

- b) Ensures that its personnel have had appropriate data protection training and only process personal data (as defined by the GDPR) in accordance the applicable Data Protection Legislation.
- c) Takes all reasonable steps to ensure the reliability and integrity of any personnel who have access to personal data.
- d) Takes appropriate steps to ensure that the data are kept secure and in particular protected against a personal data breach (as defined by Article 4(12) of the GDPR) taking account of the nature of the data to be protected, the harm that might result, the state of technological development and the cost of implementing any such measures.
- e) Ensures that personal data are not transferred outside the EEA save in accordance with Chapter V of the GDPR.
- f) Notifies the Data Protection Officer (DPO) in the event of a personal data breach as soon as they become aware and provide the DPO with all reasonable assistance in connection with the investigation and resolution of such event.
- g) Notify the DPO immediately if it receives a request from a data subject seeking to exercise their rights under the Data Protection Legislation, (including but not limited to the right of access to personal data, to rectify, block or erase personal data and to complain about the handling of their personal data under the Data Protection Legislation) and shall provide the DPO with all reasonable assistance in connection with such request.
- h) Notify the DPO immediately if it receives any complaint or communication from the Information Commissioner or any other regulatory authority in connection with the processing of personal data by it and co-operate with the DPO to resolve such complaint.
- i) Notify the DPO if it receives a request from any third party for disclosure of personal data where compliance with such request is required or purported to be required by law.
- j) Allow audits of its data processing by the FCO or the FCO's designated auditor.
- k) Maintain complete and accurate records to demonstrate its compliance with all relevant Data Protection Legislation.
- l) Take account of any guidance issued by the Information Commissioner's Office.

For the purposes of the Data Protection Legislation, the Director of Operations is the designated Data Protection Officer for WFD.

## APPENDIX 1: List of Delegated Authorities

The WFD must consult FCO to obtain approval for all internal allocations before any public announcement or commitment of resources, when these allocations fall outside the delegated authorities set out in the table below.

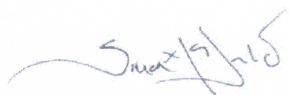
Nature of Delegation		Delegated Limit	Disclosure Threshold
All projects and programmes	Disposal of Assets	£1 million	
	Maintenance of Reserve	£100k per financial year (£50k per transaction)	
	Individual Capital Project	£50k	
	Recovery of Grant Financed Assets	£30k	
	Annual Report on Material Fraud and theft	£5k	
	Register of Fixed Assets	£2k	
Write-Offs		£25k (Write-Offs in excess of £25k must have prior approval)	£300k
Special Payments	Ex Gratia Payments	£500	
	Special Severance Payments	£0	
Other	Gifts	£100	

## **APPENDIX 2: Compliance with government-wide guidance and instructions**

The WFD shall comply with the following general guidance documents and instructions:

- this document;
- Current sections (or future sections which may subsequently be approved) of Corporate Governance in Central Government Departments: Code of Good Practice  
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>;
- Managing Public Money (MPM): <https://www.gov.uk/government/publications/managing-public-money>;
- 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>;
- Managing the Risk of Fraud, <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>;
- Government Financial Reporting Manual (FReM),  
<https://www.gov.uk/government/publications/government-financial-reporting-manual>;
- Fees and Charges Guide, Chapter 6 of MPM;
- Departmental Banking: A Manual for Government Departments, annex 5.7 of MPM;
- relevant Dear Accounting Officer letters;
- The Parliamentary Ombudsman's Principles of Good Administration  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>;
- Consolidation Officer Memorandum, and relevant DCO letters;
- Code of Practice of the Office of the Commissioner on Public Appointments  
<http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice/>
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office)  
[http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.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 FCO;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority that have been accepted by the Government and relevant to WFD.

Signed:



Date: 05 May 2020

(On behalf of the FCO)

Signed.....



Date.....



(On behalf of the WFD)