

**Welsh Government Transport Company
Management Agreement**

Contents

- 1. Purpose of the Welsh Government Transport Company**
- 2. Governance and Accountability**
 - 2.1 Legal Origins of Powers and Duties
 - 2.2 Accountabilities, Roles and Responsibilities
 - 2.3 Accounting Arrangements and Audit
- 3. Management Arrangements**
 - 3.1 General
 - 3.2 Welsh Government Transport Company Staff
 - 3.3 Planning Framework
 - 3.4 Performance Management
 - 3.5 Periodic Review
 - 3.6 Subsidiary Companies and Joint Ventures
- 4. Financial Responsibilities**
 - 4.1 Expenditure
 - 4.2 Funding
 - 4.3 Cash Management
- 5. Other Financial Requirements**
 - 5.1 Risk Management
 - 5.2 Economy, Efficiency and Effectiveness – appraisal, research and evaluation

List of Annexes

- Annex 1 List of Government-Wide Corporate Guidance and Instructions

Annex 2	Summary of Approval Requirements and Delegation Limits
Annex 3	Welsh Government Transport Company Procurement and Payments

Purpose of the Welsh Government Transport Company

1. The Welsh Government Transport Company was established under Section 71 of the Government of Wales Act 2006. Its objects are set out in the Articles of Association, and to support the Guarantor Member (the Welsh Ministers) to discharge their functions, including those under section 60 of the Government of Wales Act 2006 and section 1 of the Welsh Development Agency Act 1975, in particular:
 - act in a professional advisory and consultancy capacity in connection with transport projects in Wales by providing support and expertise to the Welsh Government;
 - provide compliance with the Welsh Government's requirements for projects in respect of the statutory and administrative stages of preparation, engineering standards, construction, propriety and financial and contractual control by providing support and expertise to the Welsh Government;
 - provide project management services in connection with transport projects in Wales by providing support and expertise to the Welsh Government; and
 - to undertake any action whatsoever which in the opinion of the Guarantor Member is necessary or desirable for the furtherance of the Objects including without limitation providing any assistance required by the Guarantor Member in relation thereto.
2. Delivery of the above must be set within the context of the Welsh Government's strategic aims, and set within the company's business plan in response to the annual remit letter. Any changes to the Management Agreement will be made via the Management Team and agreed by the Board.

Governance and Accountability

Legal Origins of Powers and Duties

3. The relevant legal powers are Section 1 of the Welsh Development Agency Act 1975 together with Section 60 (1) (a) of the Government of Wales Act 2006. These powers are powers of the Welsh Ministers to do anything they consider appropriate to achieve the promotion or improvement of the economic well-being of Wales.
4. In addition, Section 71 of the Government of Wales Act 2006 states that the Welsh Ministers may form a company (such as an arm's length company) to provide services for them, where that is calculated to facilitate, or is conducive or incidental to, the exercise of any of their functions. The Welsh Government

Transport Company (number 9476013) is a company limited by Guarantee and is also governed by its Articles of Association.

Accountabilities, Roles and Responsibilities

Ministerial

5. The Minister for Economy, Science & Transport (the Minister) is responsible for the oversight of the Welsh Government Transport Company. The Minister sets the policy framework for the Welsh Government Transport Company and is accountable to the National Assembly for its activities. The First Minister and Minister shall meet with the Chair of the Board of the Welsh Government Transport Company each year to review performance and discuss current and future activities.

Welsh Government Principal Accounting Officer

6. The Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. He has responsibilities specified by HM Treasury and is accountable to the National Assembly (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts)

Welsh Government Additional Accounting Officer and Chair of the Welsh Government Transport Company

7. The Deputy Permanent Secretary for Economy, Skills and Resources has been designated by the Principal Accounting Officer as an Additional Accounting Officer for the Welsh Government Transport Company. He will discharge that responsibility through his appointment as Chair of the Welsh Government Transport Company.
8. He is personally responsible for the proper stewardship of the public funds for which he has charge; for the day-to-day operations and management of the Welsh Government Transport Company; and for ensuring compliance with the requirements of Managing Welsh Public Money. The Chair will delegate day to day responsibility for the administration of these to a Managing Director but will remain responsible and accountable for the actions and decisions of the company to both the Principal Accounting Officer and the Minister. In particular, but not exclusively,;
 - Ensuring that the board's policies and actions support the Minister's wider strategic policies and that its affairs are conducted with probity. Where appropriate these policies and actions must be communicated and

disseminated throughout the Welsh Government Transport Company; formulating the board's strategies;

- Ensuring that the board, in reaching decisions, takes proper account of statutory and financial management requirements and all relevant guidance including guidance provided by the Welsh Ministers;
- Taking action as appropriate if the board or any director is contemplating a course of action involving a transaction which the Chair considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, or, efficiency or effectiveness, questionable feasibility or is unethical.
- Promoting the economic, efficient and effective use of staff and other resources;
- Ensuring high standards of regularity and propriety; and
- Presenting the views of the board to the public.

9. The Chair must also:

- Ensure that all board members are briefed fully on the terms of their appointment and on their duties, rights and responsibilities;
- Ensure that he or she, together with other board members, receive appropriate training, including on the financial management and reporting requirements of public sector bodies and on the differences that might exist between private and public sector practice;
- Ensure that the board has a balance of skills appropriate to directing the Welsh Government Transport Company's business, and advise the Minister, in instances where appointments are to be made by him or her, on the needs of the Welsh Government Transport Company when board vacancies arise;
- Assess the performance of individual board members; and
- Ensure that a Code of Conduct for board members is in place consistent with the Welsh Government Code.

10. Any conflict of interest between the functions of the Welsh Government's Additional Accounting Officer and his role as Chair of the Welsh Government Transport Company must be referred to the Welsh Government's Director of Governance who is the main source of advice on the discharge of responsibilities in respect of the Welsh Government Transport Company.

Welsh Government Transport Company's Managing Directors Responsibilities

11. The Managing Director, as Accounting Officer, is responsible for:

- Signing the accounts and ensuring that proper records are kept relating to the accounts;
- Ensuring that the accounts are prepared and presented in accordance with any directions issued from the Principal Accounting Officer;
- Signing a statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- Signing the Governance Statement for inclusion in the Annual Report and Accounts;
- Advising the board on the Welsh Government Transport Company's performance against 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 suitable financial appraisal techniques are followed;
- Ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- Ensuring that timely forecasts and monitoring information on performance and finance are provided to the board;
- Ensuring that the board is notified promptly if overspend or under spends are likely and that corrective action is taken;
- handling cases involving the Public Service Ombudsman for Wales.
- Ensuring that significant problems are notified to the board as quickly as possible; and
- Providing the board with such information about the Welsh Government Transport Company's performance and expenditure as board may reasonably require.

The Welsh Government Transport Company board

12. The Chair and board members are appointed in accordance with the Articles of Association of Welsh Government Transport Company and are collectively responsible for.

- Providing effective leadership; defining and developing strategic direction and setting challenging objectives;
- Promoting high standards of public finance, upholding the principles of regularity, propriety and value for money;
- Ensuring that the Welsh Government Transport Company's activities are conducted efficiently and effectively;

- Monitoring performance to ensure that the Welsh Government Transport Company fully meets its aims, objectives and performance targets and
- Ensuring 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.

13. The Chair's responsibilities as a Welsh Government Accounting Officer are shared by the other members of the board who are expected to support the chair in this role and act in accordance with those responsibilities in carrying out their own duties. In particular, but not exclusively, the board is responsible for:

- Establishing and taking forward the strategic aims and objectives of the Welsh Government Transport Company consistent with its overall purpose and within the policy and resources framework determined by the Minister;
- Ensuring that the Minister is kept informed fully of any changes that are likely to impact on the strategic direction of the Welsh Government Transport Company or on the attainability of its targets, and of steps needed to deal with such changes;
- Ensuring compliance with any statutory or administrative requirements in respect of the use of public funds; that it operates within the limits of its statutory authority and any delegated authority, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it takes into account guidance issued by the Welsh Government;
- Ensuring that it receives and reviews regularly, financial information concerning the management of the Welsh Government Transport Company; that it is informed in a timely manner about any concerns as to the activities of the Welsh Government Transport Company; and that, where applicable, it provides positive assurance to the Minister that appropriate remedial action has been taken to address any such concerns; and
- Demonstrating high standards of corporate governance at all times, to address key financial and other risks.

14. The board may delegate to staff responsibility for the administration of day-to-day management issues but remains ultimately responsible and accountable for all those matters. The Welsh Government Transport Company must maintain a list of matters which are reserved for decision by its board as well as a scheme of delegation approved by the board.

15. In undertaking their duties and responsibilities board members shall conform to the general duties set out in the The Companies Act 2006. The Act codifies certain common law and equitable duties of directors and sets out seven general duties of directors which are:-

- to act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred
- to promote the success of the company for the benefit of its members
- to exercise independent judgement
- to exercise reasonable care, skill and diligence
- to avoid conflicts of interest
- not to accept benefits from third parties
- to declare an interest in a proposed transaction or arrangement

16. Additionally directors must:

- Comply at all times with the Welsh Government Transport Company's Code of Conduct for Board Members, and with the rules relating to the use of public funds, and conflicts of interest ;
- Not misuse information gained in the course of their public service for personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of persons or organisations with whom they have a relationship;
- Comply with the Welsh Government Transport Company's rules on the acceptance of gifts and hospitality, and of business appointments; and
- Act always in good faith and in the best interests of the Welsh Government Transport Company.

Conduct

17. Directors and employees of the Welsh Government Transport Company shall not make any statements or engage in any conduct which damages or is likely to damage or bring into disrepute the name, image or reputation of the Welsh Ministers or the Welsh Government. They hold office subject to compliance with the Public Standards Committee's seven Principles of Public Life.

The Seven Principles of Public Life

- **Selflessness**
Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

- Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

- Leadership

Holders of public office should promote and support these principles by leadership and example.

Conflicts of Interest

18. Directors and employees of the Welsh Government Transport Company must declare any personal or business interests which may, or may be perceived to, influence their judgements in performing their functions.

19. Directors and employees of the Welsh Government Transport Company will appreciate that a body of this sort attracts considerable public interest and is accountable to the Welsh Government, through the Minister for Economy, Science & Transport, for its stewardship. It is particularly important to ensure that there is no possible conflict of interest between their current responsibilities (or previous positions) and the responsibilities within the Welsh Government Transport Company.

20. These interests will be included in a register of interests maintained by the Welsh Government Transport Company which must ensure that entries are kept up to date.

21. Should a particular matter give rise to a conflict of interest, directors and employees of the Welsh Government Transport Company are required to

inform the board of in advance and withdraw from discussions or consideration of that matter.

22. Directors and employees are encouraged to register their own non-pecuniary interests and interests of close family members and persons living in the same household which are closely related to the activities of the Welsh Government Transport Company.
23. The Welsh Government may have to ask any director or employee of the Welsh Government Transport Company to resign their employment if they wish to accept a conflicting appointment elsewhere.

Accounting Arrangements and Audit

Annual Report and Accounts

24. Each financial year the Welsh Government Transport Company must prepare accounts in accordance with the requirements laid down by the Companies Act 2006. There will also be a requirement to provide a draft set of pre-audit accounts for Welsh Government consolidation purposes. The timing of the submissions to Welsh Government will be notified in advance of each financial year end and will enable compliance with the Treasury early closing timetable. Electronic copies of the signed accounts shall also be forwarded to Director of Finance Welsh Government.
25. Before the 15th May every year the Welsh Government Transport Company should ensure that draft annual accounts of any subsidiary company or joint venture controlled or owned by the Welsh Government Transport Company shall be consolidated within the annual accounts of the Welsh Government Transport Company.
26. As soon as possible after the end of each financial year, the Welsh Government Transport Company shall provide the Minister with a report of its activities to evidence its success in meeting its targets. The format of the Ministerial report must:
 - Outline the Welsh Government Transport Company's main activities and performance during the previous financial year;
 - Report on performance against key performance indicators and other deliverables and outline progress that has been made in taking account of the Welsh Government's cross-cutting themes;
 - Report on the activities of any corporate bodies under its control; and

- Include either a summary of the Welsh Government Transport Company's audited accounts or publish the full audited accounts within a single document.
27. The Welsh Government Transport Company Board must establish adequate arrangements for internal audit, external audit and corporate governance matters. The Welsh Government Transport Company should have draft annual accounts prepared by 15th May every year. The External Auditors will prepare its Audit Report and Management Letter by the end of June each year. The External Auditors shall send a copy of its final Audit Report and Management Letter to the Director of Finance for the Welsh Government.
28. Under section 145 of the Government of Wales Act 1998 the Auditor General for Wales (AGW) may carry out examinations into the economy, efficiency and effectiveness with which the Welsh Government Transport Company has used its resources in discharging its functions. Under section 145A, the AGW may undertake studies designed to enable him or her to make recommendations for improving economy, efficiency and effectiveness in the discharge of functions of bodies, and other studies relating to the provision of services. For the purposes of these examinations, as well as the statutory financial audit, the AGW has a statutory right of access to documents. The AGW shall also have rights of access by virtue of section 136 of the Government of Wales Act 2006. In addition, the Welsh Government Transport Company shall provide, in conditions to grants and contracts, for the AGW 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 AGW to any other documents required by the AGW which are held by other bodies.
29. Unless otherwise agreed the Welsh Government Transport Company shall at all times follow the principles, rules, guidance and advice in Managing Welsh Public Money and this document. A list of the guidance and instructions with which the Welsh Government Transport Company must comply is at Annex 1.
30. The Welsh Government Transport Company must ensure always that its relationship with the Welsh Government is recognised appropriately.
31. Should the need arise the Head of Corporate Governance and Assurance for the Welsh Government has a right of access to all the Welsh Government Transport Company's records and personnel for monitoring purposes including, for example, audits and operational investigations.

Welsh Government Transport Company Staff

Recruitment, retention and management of staff

32. Within the arrangements approved by the Minister the Welsh Government Transport Company is responsible for the recruitment, appointment, retention, motivation and termination of staff subject to the following general requirements:

- In the recruitment, management and progression of staff the Welsh Government Transport Company will follow the principles of regularity and propriety in expending resources as set out in “Managing Welsh Public Money”, in particular Chapter 4 which deals with internal management and government structures;
- The Welsh Government Transport Company may determine its own structure with the exception of the creation or re-grading of any senior management post that reports directly to the Chair;
- The Welsh Government Transport Company may vary the total number of staff to reflect changes in the scale of its operations or functions. The associated pay and related costs must be adjusted accordingly and reflected within the Management Running Costs;
- Subject to its delegated levels of authority, the Welsh Government Transport Company must ensure that the creation of any additional posts does not incur forward commitments which shall exceed its ability to fund them, unless agreed in writing with the ESNR AAO’s Finance and Operations Group;
- Staff management and development policies will be in place which reflect arrangements for staff appraisal and performance management including training and development to encourage staff to obtain relevant professional, managerial and any other skills and behaviours necessary to carry out their roles;
- The Welsh Government Transport Company will have in place a Code of Conduct for its staff;
- The Welsh Government Transport Company will have in place appropriate grievance and disciplinary procedures and appropriate arrangements to handle any staff concerns there may be regarding impropriety; and

- Meaningful consultation with staff will be undertaken on matters which affect them.

Pay and Conditions of Service

33. All staff of the Welsh Government Transport Company shall be subject to overall levels of remuneration and terms and conditions of service (including superannuation) as have been approved by the Minister. Any changes to those terms and conditions, including levels of remuneration, must be authorised by the Minister.
34. The Welsh Government Transport Company has no delegated powers to amend its overall terms and conditions. However, the Welsh Government Transport Company may vary individual contracts without the prior agreement of the Minister provided that any changes are within the overall framework of the terms and conditions approved by the Minister.
35. Terms and conditions for staff of the Welsh Government Transport Company are set out in its documentation. Copies of the relevant documentation must be provided to the ESNR AAO's Finance and Operations Group upon request and after amendment.

Pay Remits

36. The Welsh Government Transport Company is expected to operate a system of pay that provides all staff with equal opportunity for progression.
37. The Welsh Government Transport Company must be satisfied that all pay arrangements have been subject to an equal pay audit and, in addition, will require evidence from time to time that independent quality assurance arrangements that meet this requirement have been carried out.

Staff Benefits and Non-Pay Rewards

38. Should the need arise the Director of Corporate Governance and Assurance for the Welsh Government has a right of access to all the Welsh Government Transport Company's records and personnel for monitoring purposes including, for example, audits and operational investigations.

Pensions and PAYE

39. Staff of the Welsh Government Transport Company have the option of membership of a personal pension scheme.

Redundancy, Severance and Compensation

40. Any proposal to pay redundancy or compensation for loss of office requires prior written approval from the Welsh Government Transport Company Board.

Planning Framework

Business Planning

41. The Minister shall issue a draft remit letter setting out the Government's strategic aims, objectives for the Welsh Government Transport Company, and areas for key performance indicators. The final remit letter will be issued as soon as possible, and shall include the funding figure and related budgetary control totals for the current financial year. A further remit letter will be issued for the following financial year.
42. The Welsh Government Transport Company shall produce an annual Business Plan. The Business Plan must be developed within the policy framework set by the Welsh Government and cover a period of two financial years. Subsequent two year rolling Business Plans shall be produced following receipt of a remit letter from the Minister each year.
43. The Welsh Government Transport Company shall prepare an annual operational plan setting out the level of service to be achieved in key areas and the performance and output information that shall be collected to monitor progress. The operational plan will be informed by the Minister's remit letter, the Welsh Government's strategic agenda and the Welsh Government Transport Company Business Plan. It is for the board to determine the precise content of their plan. The timetable for the preparation and submission of the business and operational plans shall be agreed with the Minister. Both the business and operational plans will be approved by the Minister.

Performance Management

44. The Welsh Government Transport 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 targets set out in the corporate and operational plans. Each quarter, the Welsh Government Transport Company shall provide a report to the Principal Accounting Officer which sets out the progress towards meeting the key targets set out in the operational plan. The report must also include details of actual expenditure for the year to date against the approved budgets together with forecast expenditure figures for the year and explanations of any significant differences and issues. Wherever possible the reporting format will

be consistent with the Welsh Government Transport Company's arrangements for reporting to its board.

45. The Welsh Government Transport Company must notify the Welsh Government Principal Accounting Officer as soon as it becomes apparent that:

- The full-year expenditure is likely to exceed its approved provision; or
- It is likely to under spend by more than the equivalent of 10 percent of its annual provision.

46. It shall also provide:

- An annual report of losses written-off and special payments made or sanctioned during the previous twelve months;
- An annual report outlining all cases of fraud and theft to which it has been

47. The Welsh Government may conduct a review of the Welsh Government Transport Company from time to time.

Subsidiary Companies and Joint Ventures

48. The Welsh Government Transport Company shall not establish subsidiary companies or joint ventures which involve setting up special purpose vehicles – such as companies, partnerships or any other structure with legal identity and liability – without securing the prior written approval of the Minister.

49. Any subsidiary company or joint venture controlled or owned by the Welsh Government Transport Company shall be subject to the controls and requirements set out in pertinent guidance and instructions.

Financial Responsibilities

Expenditure

50. Subject to any restrictions imposed by the remit letter, directions of the Welsh Ministers, or by this Agreement, the Welsh Government Transport Company may, as soon as its budget has been approved by the Minister, incur expenditure on the programme approved in its annual budget without further reference to the Minister, subject to the following conditions:

- The Welsh Government Transport Company shall comply with the delegations set out in Annex 2. These delegations must not be modified or breached without the written agreement in advance of the Welsh Government
- The Welsh Government Transport Company must obtain written approval from the Director of Finance for the Welsh Government in advance of proceeding with:
 - any change of policy or practice which has wide financial implications;
 - anything that might affect the future level of resources required; or
 - any significant change in the operation or funding of any initiative or particular scheme approved through the operational plan;
- The Welsh Government Transport Company shall follow the steps set out in Annex 3 of this agreement in relation to the procurement of goods and services;
- The Welsh Government Transport Company shall resist requests for payment in advance (i.e. payments before equivalent value is received in return). If a good value for money case can be made exceptions to this requirements are:
 - service and maintenance contracts which require payment when the contract commences, provided that the service is available and can be called on from the date of payment;
 - minor services such as training courses or attendance at conferences, where local discretion is acceptable; and
 - payments to statutory undertakers where advance payment is a condition for programming the works;

Borrowing, Lending, Guarantees and Investments

51. The Welsh Government Transport Company shall not, without the Minister's prior written agreement:

- Borrow (including temporary borrowing facilities in the form of a pre-arranged overdraft facility to bridge any gaps between long-term borrowing arrangements);
- Lend;
- Charge any asset or security;
- Give any guarantee or indemnities; letters of comfort; or
- Incur knowingly any other contingent liability whether or not in a legally binding form.

52. Nor shall the Welsh Government Transport Company make any investments without securing the prior written approval of the Minister except in respect of short-term deposits of cash surpluses.

Grants to Third Parties

53. Grants (made for specific purposes to achieve the strategic aims of the Welsh Government Transport Company as set by the Minister and satisfying specific conditions; a grant scheme) should be paid by Welsh Government Transport Company to third parties on evidence of need or qualification, depending on the terms of the grant scheme. For example:

- The third party recipient may need to submit a claim with evidence of eligibility;
- The third party recipient may need to show that it meets the conditions of the grant scheme;
- There may be a timing condition; and
- The third party recipient may need to demonstrate a clear operational requirement for funding before a grant is paid by Welsh Government Transport Company.

54. The Chair of Welsh Government Transport Company is responsible for ensuring that third party grant recipients are eligible and use the grant in a way envisaged in the grant scheme. For all grant schemes the Welsh Government Transport Company must set out appropriate terms and conditions for approval by the Minister. The terms and conditions should strike an appropriate balance between:

- Ensuring prudent management of grant;
- Achieving value for money; and
- Assuring the Minister that grants are used as envisaged.

55. Terms and conditions of any grant scheme operated by Welsh Government Transport Company must reinforce the statutory rights of access of the Auditor General for Wales, together with the right of access for Welsh Government officials and the Welsh Government Transport Company.

56. The Welsh Government Transport Company should ensure the financial interests of the Welsh Government are adequately protected by the terms and conditions of any grant scheme and that they allow for the claw-back, by Welsh Government Transport Company or the Welsh Government, in certain circumstances e.g. if grant is used by a third party for purposes other than those approved.

57. The Welsh Government Transport Company should not develop or implement a grant scheme without prior written consent from the Minister.

Funding

58. All the streams of income mentioned in the following paragraphs ('Income from Exchequer Sources' and 'Income from Non-Exchequer Sources'), shall be treated as public funds and the requirements of this document shall apply equally to them.

Income from Exchequer Sources

59. The Welsh Ministers provide funding payments to the Welsh Government Transport Company. Funding shall be paid in instalments, on the basis of an application to the ESNR AAO's Finance and Operations Group. This must be provided in the form of a financial statement as set out in the funding drawn-down form and submitted by a person notified to the ESNR AAO's Finance and Operations Group as authorised to make the application.

Income from Non-Exchequer Sources

60. The Welsh Government Transport Company must seek as far as possible to maximise its receipts from sources other than the Exchequer where this is consistent with its functions and is in line with its approved business and operational plans.

Private funds

61. Donations, grants for research from non-public organisations, or bequests given to the Welsh Government Transport Company are deemed to be private funds and are not covered by the terms of this document. Funds received directly from the Welsh Government, other government departments, agencies and other public organisations or those funded primarily by the tax payer and any proceeds from the Welsh Government Transport Company's commercial interests or activities do not count as private funds.

Cash Management

62. Cash balances accumulated during the course of the financial year from funding or other Exchequer funds must be kept at the minimum level consistent with the efficient operation of the Welsh Government Transport Company. If a cash surplus should occur, it must be placed on deposit until it can be used. The Welsh Government Transport Company must seek to avoid holding a working balance in excess of the equivalent of 4 per cent of its total annual gross budget. Any funds exceeding that amount held by the Welsh Government Transport Company as a working balance at the end of each

funding period shall be taken into account in determining the amount of funding to be paid in the following period.

63. The Welsh Government Transport Company shall be permitted to carry-over from one financial year to the next any drawn but unspent cash balances of up to 2 per cent of its agreed total gross annual budget (i.e. as set out in the remit letter and being exclusive of income deemed to be private funds). Any proposal to carry-over sums in excess of this amount must be agreed in writing in advance with the ESNR AAO's Finance and Operations Group on a case by case basis. Any sum carried-over in excess of the agreed amount shall be taken into account in the subsequent year's funding.
64. If receipts realised or expected to be realised in the financial year are less than estimated the Welsh Government Transport Company must ensure a corresponding reduction in its gross payments so that its authorised provision is not exceeded.
65. If receipts realised or expected to be realised in the financial year are more than estimated, the Welsh Government Transport Company may apply to the ESNR AAO's Finance and Operations Group to retain such excess income for specified additional expenditure.
66. The Welsh Government Transport Company may reallocate funds between its various budgets as notified by the Minister in the remit letter without the ESNR AAO's Finance and Operations Group's prior written agreement provided that:
 - no budget is increased or decreased by more than 10 per cent
 - the reallocation is not between capital, near cash or non-cash budget lines; and
 - in aggregate, the Welsh Government Transport Company's net payments do not exceed the total approved Budget.
67. Notwithstanding the above, the Welsh Government Transport Company's running costs/administration budget may not be increased without the ESNR AAO's Finance and Operations Group's prior written agreement.
68. All interest, net of any bank charges, earned by the Welsh Government Transport Company on its cash and bank balances which arise as a result of funding from the Welsh Government is to be declared each month on the Welsh Government Transport Company's funding drawdown request form and shall be surrendered to Welsh Government.

Other Financial requirements

Risk Management

- 69. The Welsh Government Transport Company must develop a risk management strategy to ensure that any risks it assumes are dealt in accordance with the relevant aspects of guidance on best practice in corporate governance.
- 70. The Welsh Government Transport Company must adopt and implement policies and practices to safeguard itself against fraud and theft.
- 71. The Welsh Government Transport Company shall take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant or funding, depending upon the particular circumstances of the procurement or grant scheme.
- 72. In order to ensure value for money, the Welsh Government Transport Company must have in place appropriate systems, and the capacity, to ensure that its policies and programmes are evidence based in relation to their development, implementation and evaluation.
- 73. The Welsh Government Transport Company must also ensure that its approach to carrying out appraisals and evaluations shall be fully consistent with the principles set out in guidance.

The terms of this Framework Document were approved by the Minister for Economy, Science & Transport on [state date].

Signed..... Welsh Government Additional Accounting Officer for the Welsh Government Transport Company

Dated.....

Annex 1

List of references for Government-Wide Corporate Guidance and Instructions

- This document;
- The Minister's annual Remit Letter to the Welsh Government Transport Company
- Managing Welsh Public Money;
- Principles of Public Life
- Well Being for Future Generations Goals and Principles
- Corporate Governance in Central Government Departments: Code of Good Practice;
- HM Treasury's "Government Internal Audit Standards";
- HM Treasury's "Managing the Risk of Fraud";
http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf
- HM Treasury's "Executive NDPBs - Annual Reports and Accounts Guidance";
- HM Treasury's "Departmental Banking: A Manual for Government Departments" (issued as Annex 5.7 of "Managing Public Money");
http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf
- HM Treasury's "Regularity, Propriety and Value for Money"
http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf
- HM Treasury's "Green Book – Appraisal and Evaluation in Central Government";
http://www.hm-treasury.gov.uk/d/green_book_complete.pdf
- HM Treasury's Audit Committee Handbook;
<http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>
- Cabinet Office's "Magenta Book – Guidance Notes on Policy Evaluation";
http://www.nationalschool.gov.uk/policyhub/magenta_book/index.asp
<http://www.nationalschool.gov.uk/policyhub/docs/profpolicymaking.pdf>
- Cabinet Office's Code of Practice for Public Bodies;
- The UK Evaluation Society's "Guidelines for Good Practice in Evaluation";
<http://www.evaluation.org.uk/resources/guidelines.aspx>
- UK Statistics Authority's "Code of Practice for Official Statistics" and its associated protocols;

<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>

- Health and Safety Commission/Department for the Environment and the Regions' "Revitalising Health and Safety";
<http://www.hse.gov.uk/revitalising/strategy.pdf>
- Extant "Chief Executive Officer" letters;
- Extant "Dear Accounting Officer" letters;
- Extant "Dear Consolidation Officer" letters;
- Management letters from external auditors;
- Other relevant instructions and guidance issued by the Welsh Ministers;
- Those recommendations of the National Assembly's Public Accounts Committee, other Committees of the National Assembly; the House of Commons Committee on Public Accounts, other Parliamentary Committees or Parliamentary authority that have been accepted by the Welsh Government which are relevant to the Welsh Government Transport Company

In addition, in the conduct of its business the Welsh Government Transport Company shall ensure that:

- It confirms with the terms of the Welsh Government's Language Standards (in particular the sections on partnership working and third party working);
- Its functions are exercised with due regard to the principle that there should be equality of opportunity for all people;
- It adopts and maintains a scheme, approved by the Information Commissioner, for the publication of information as required by the Freedom of Information Act;
- Its functions are exercised in a manner compatible with the Welsh Minister's duty to promote sustainable development and its guiding principle of promoting social inclusion;
- Its functions are exercised with due regard to the Welsh Government's Disability; Gender; and Race Equality Schemes;
- It has due regard to the Commissioner for Public Appointment's Code of Practice for Ministerial Appointments to Public Bodies;
- Its procurements are effected with due regard to the principles set out in the Welsh Government's Value Wales Procurement Route Planner.

- It registers with the Information Commissioner as being the data controller in relation to the personal data it processes under this agreement and, as data controller, it complies with the provisions of the Data Protection Act 1998

As regards health, safety and welfare, the company must:

- Comply with all relevant statutory duties in respect of health, safety and welfare as they relate to all its functions, projects, programmes and activities;
- Require organisations that it funds and any contractors and sub-contractors to those organisations to comply similarly; and
- Comply fully with UK Government policy on health, safety and welfare.

Annex 2

Summary of Approval Requirements and Delegation Limits

Subject	Delegation Limit
Chair	Ministerial approval
Staff remuneration and terms and conditions	Amendments to overall terms and conditions require Ministerial approval
Pension arrangements and payment of redundancy or compensation	Approval of ESNR AAO's Finance and Operations Group
Corporate and Operational Plan	Ministerial approval
Subsidiary companies and joint ventures	Approval of the Minister
Virement outside of specified limits	Approval of ESNR AAO's Finance and Operations Group
Novel, contentious or repercussive proposals	Approval of ESNR AAO's Finance and Operations Group
Any borrowing, lending, guarantees, indemnities or investment	Approval of the Minister
Capital projects	£10m
IT projects	£100k
Consultancy contracts	£1m
Single tender departures	£25k
Retention of receipts over and above limit set out in remit letter	Approval of ESNR AAO's Finance and Operations Group
Carry-over	In-year – 4% of total annual gross budget End-of-year – 2% of total annual gross budget
Grants	Ministerial Clearance

Annex 3

Welsh Government Transport Company Procurement and Payments

Procurement

1. The Welsh Government Transport Company will comply with EU procurement regulations, ensuring best value by using public sector frameworks where accessible and appropriate. In the event that a framework is not appropriate or accessible, then the Welsh Government Transport Company will follow the procurement process outlined below.

IMPORTANT: These procurement steps are only to be followed where no suitable framework exists

Contract values up to £4999 for Supplies, Services or Works

The Transport Company will:

- Obtain written financial authority to commit expenditure from one Board member
- Develop a specification for the requirement;
- Obtain a quotation in writing from a single supplier;
- Award the contract

Contract values from £5000 to £24,999 for Supplies, Services or Works

The Transport Company will:

- Obtain written financial authority to commit expenditure from two board members
- Develop a specification for the requirement;
- Obtain quotations in writing from **at least** three suppliers; ensuring an advert is placed on the sell2Wales website
- Evaluate the quotations against the criteria in the specification.
- Award the contract

Contract values from £25,000 to £172,514 for Supplies and Service, or £4,322,012 for Works

The Transport Company will:

- Obtain written financial authority to commit expenditure from two board members
- Develop a specification for the requirement;
- Obtain quotations in writing from **at least** three suppliers; ensuring an advert is placed on the sell2Wales website
- Evaluate the tenders against the criteria in the specification;
- Award the contract

Contract values in excess of £172,514 for Supplies and Service, or £4,322,012 for Works

The Transport Company will:

- Ensure the official OJEU process is adhered to
- Obtain written financial authority to commit expenditure from two board members or one board member and the Chair for contracts in excess of £172,514
- Develop a specification for the requirement;
- Obtain quotations in writing from **at least** three suppliers; ensuring an advert is placed on the sell2Wales website
- Evaluate the tenders against the criteria in the specification;
- Publish an intention to award
- Award the contract

Any departure from these procedures will require written Board approval.

In addition to adhering to the above processes, the Transport Company will:

- Ensure appropriate records are kept of procurement documentation
- Declare any conflict of interest to the Board and keep the Welsh Government Transport Company's conflicted party outside of the tender process
- Ensure contracts are not artificially split to avoid exceeding thresholds

Payments

2. The following authorisation requirements apply to incur expenditure for payments for either framework or non-framework work:
 - a. For values up to £4,999 authorisation is required from one Board member.
 - b. For values from £ 4,999 to £172,514 authorisation is required from two Board members.

- c. Payments in excess of £172,514 must be authorised by the Chair and one other Board member.

3. Once approved, a PO can be sent to the supplier

4. On completion of the work, any senior individual in the Welsh Government Transport Company can confirm the work is satisfactory, excluding those authorising the expenditure.

5. Payments will be made by cheque or bank transfer, sent directly to the payee within 30 days of receipt of a valid invoice. Cheques can be signed by any authorised Board member, unless they have confirmed satisfactory completion of works.