

## SEPA FRAMEWORK DOCUMENT

## Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with the Scottish Environment Protection Agency (SEPA). It sets out the broad framework within which SEPA will operate and defines key roles and responsibilities which underpin the relationship between SEPA and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. Any proposals to amend the framework document either by the SG or SEPA will be taken forward in consultation and in light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with SEPA. Legislative provisions or Ministerial Directions shall take precedence over any part of this document.
2. References to SEPA include any subsidiaries and joint ventures owned or controlled by SEPA. SEPA shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.
3. Copies of the document shall be published on the SEPA website.

## Purpose

4. SEPA is to contribute to the achievement of the Scottish Ministers' objectives and priorities by aligning its aims and objectives with the [National Performance Framework](#), [Scotland's Economic Strategy](#) and [Programme for Government](#).
5. SEPA's statutory duties are:

SEPA's purpose, as set out in the [Regulatory Reform \(Scotland\) Act 2014](#) is to ensure that Scotland's environment is protected and improving, including ensuring that natural resources are managed in a sustainable way. In carrying out its functions for that purpose, SEPA must, except to the extent that it would be inconsistent with its purpose, contribute to improving the health and wellbeing of people in Scotland and to achieving sustainable economic growth.

SEPA provides two core functions: **environmental regulation** and **flood risk management**.

## Environmental regulation

- SEPA has regulatory powers and duties under many varied pieces of environmental legislation. SEPA seeks to help the businesses in the sectors it regulates to reduce water use, carbon-based energy use, materials use and all forms of waste and pollution and to move beyond compliance with the standards set through that legislation. For those businesses not yet meeting those standards, it seeks to drive them into full compliance with environmental legislation using a combination of traditional regulatory tools and other approaches. SEPA is the regulator of the Scottish Landfill Communities Fund (SLCF), a tax credit scheme linked to Scottish Landfill Tax. SEPA also regulates all Scotland's water abstractions and the safety of Scotland's reservoirs.

## Flood risk management

- SEPA is Scotland's national flood forecasting, flood warning authority and strategic flood risk management authority. SEPA's statutory role involves:
  - advising on how new developments can avoid flood risk;
  - co-ordinating strategies for the protection of communities and businesses from flood risk;
  - providing warnings, 24/7 365 days a year if flooding is imminent.

The status of SEPA's statutory functions set out under relevant legislation will take precedence over any summary included in this Framework document.

6. SEPA's strategic objectives, as agreed by the Scottish Ministers, are set out in its Corporate

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Plan which presents how it is delivering on its two core services: environmental regulation and flood risk management. Further detail is presented in SEPA's Regulatory Strategy, [One Planet Prosperity](#), and linked Flooding Services Strategy. Both strategies together will help achieve One Planet Prosperity and contribute towards the delivery of SG's [Environmental Strategy for Scotland: Vision and Outcomes](#).

### Relationship between Scottish Government and SEPA

7. Effective strategic engagement between the SG and SEPA is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and SEPA will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on ['Strategic Engagement between the Scottish Government and Scotland's NDPBs'](#).

To facilitate effective strategic engagement, SEPA and its SG Sponsor team will hold regular liaison meetings, supplemented by other regular dialogue and communications, as required, in relation to SEPA's duties, responsibilities and performance, and delivery of commitments and priorities which align with the SG's Purpose and National Outcomes.

### Governance and accountability

#### Legal origins of powers and duties

8. SEPA is established under the [Environment Act 1995](#) as a body corporate. The constitution of SEPA is set out in Section 6 of the Act. SEPA does not carry out its functions on behalf of the Crown.

#### Ministerial responsibilities

9. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of SEPA and its use of resources. They are not, however, responsible for day to day operational matters. Their responsibilities include:
  - agreeing SEPA's strategic aims and objectives and key targets as part of the corporate planning process;
  - agreeing the budget and the associated grant in aid requirement to be paid to SEPA, and securing the necessary Parliamentary approval;
  - approving amendments to existing charging schemes or any introduction of a new charging scheme;
  - carrying out responsibilities specified in the [Environment Act 1995](#) such as appointments to SEPA's Board, approving the terms and conditions of Board members, and approving appointment of the Chief Executive;
  - other matters such as approving SEPA's Chief Executive and staff pay remit in line with SG [Pay Policy](#) and laying the accounts (together with the annual report) before the Scottish Parliament.

In accordance with statute, the Scottish Ministers may give SEPA directions with which it must comply, including directions to enable International commitments to be met. The SG will issue directions to SEPA via the [Ask@sepa.org.uk](mailto:Ask@sepa.org.uk) mailbox and these will be recorded and a list kept and updated by SEPA.

The Scottish Ministers have powers to call-in applications, determine appeals and set charges in relation to SEPA's regulatory and other functions, where such powers have been devolved to the Scottish Ministers under the Scotland Act 1998.

## SEPA Board responsibilities

10. The SEPA Board, including the Chair, must comprise of at least 8 members, but not more than 12, appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. As well as appointing the Chair, the Scottish Ministers will approve the appointment of a member as Deputy Chair following nomination by the Agency Board.

The role of the Board is to provide leadership, direction, support and guidance to ensure SEPA delivers, and is committed to delivering, its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

- taking forward the strategic aims and objectives for SEPA agreed by the Scottish Ministers;
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of SEPA or on the attainability of its operational targets;
- promoting the efficient, economic and effective use of staff and other resources by the NDPB consistent with the principles of [Best Value](#), including, where possible, participation in shared services arrangements;
- ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control. (The Board must set up an [audit committee](#) chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems);
- (in reaching decisions) taking into account relevant guidance issued by the Scottish Ministers;
- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Chief Executive, as the Accountable Officer of the public body, is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions;
- ensuring that the Board receives and reviews regular financial information concerning the management and performance of SEPA and is informed in a timely manner about any concerns regarding the activities of SEPA;
- appointing, with the approval of the Scottish Ministers, the SEPA Chief Executive, following appropriate approval of the Chief Executive's remuneration package in line with [SG Pay Policy for Senior Appointments](#). New contracts for Chief Executives should include a notice period of no more than 3 months. Where a business case can be made, the notice period may be set at a maximum of 6 months. In consultation with the SG, appropriate performance objectives should be set which give due weight to the proper management and use of resources within the stewardship of SEPA and the delivery of outcomes;
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.

Further guidance on how the Board should discharge its duties is provided in appointment letters and in [On Board – A Guide for Members of Statutory Boards](#).

## The Chair's responsibilities

11. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the SEPA Board and the Scottish Ministers should normally be through the Chair. He or she is responsible for ensuring that SEPA's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

12. In leading the Board, the Chair must ensure that:
- the work of the Board is subject to regular self-assessment and that the Board is working effectively;
  - the board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing SEPA's business, and in terms of protected characteristics under the Equality Act and [the Gender Representation on Public Boards Act](#) and [Guidance](#), where these apply;
  - the Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
  - They, together with the other Board members, receive appropriate induction training, including on financial management and reporting requirements, severance policy and, as appropriate, on any differences that may exist between private and public sector practice;
  - succession planning takes place to ensure that the Board is diverse and effective, and the Scottish Ministers are advised of SEPA needs when Board vacancies arise;
  - There is a code of conduct for Board members in place, approved by the Scottish Ministers.
13. The Chair assesses the performance of individual Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the Board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.

#### Individual Board members' responsibilities

14. Individual Board members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by SEPA and with the rules relating to the use of public funds and to conflicts of interest. *(In this context "public funds" means not only any funds provided to SEPA by the Scottish Ministers but also any other funds falling within the stewardship of SEPA, including trading and investment income, gifts, bequests and donations.)* General guidance on Board members' responsibilities is summarised in their appointment letters and is also provided in [On Board](#).

#### SEPA Chief Executive responsibilities

15. The Chief Executive of SEPA is employed and appointed by the Board, with the approval of the Scottish Ministers. They are the Board's principal adviser on the discharge of its functions and is accountable to the Board. Their role is to provide operational leadership to SEPA and ensure that the Board's aims and objectives are met and SEPA's functions are delivered and targets met through effective and properly controlled executive action. Their general responsibilities include the performance, management and staffing of SEPA. General guidance on the role and responsibilities of the Chief Executive is contained in [On Board](#). Specific responsibilities to the Board include:
- advising the Board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the Board;
  - ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
  - ensuring that SEPA adheres, where appropriate, to the SG's [Programme and project management principles](#);

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- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of SEPA's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards;
- ensuring that adequate systems of internal control are maintained by SEPA, including effective measures against bribery, corruption, fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements consistent with the [Delegated Authority](#) section of the SPFM;
- advising the Board on the performance of SEPA compared with its aim[s] and objectives;
- preparing SEPA's corporate and annual operating plans, in light of the strategic aims and objectives agreed by the Scottish Ministers;
- ensuring effective relationships with SG officials;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion;
- Ensuring staff pay proposals are in line with SG [Pay Policy](#) and submitted in time and the necessary approvals obtained prior to implementing any annual award.

### SEPA Accountable Officer responsibilities

16. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for SEPA. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:
  - ensuring the propriety and regularity of SEPA's finances and that there are sound and effective arrangements for internal control and risk management;
  - ensuring that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole;
  - ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and SG [Pay Policy](#);
  - signing the annual accounts and associated governance statements;
  - a statutory duty to obtain written authority from the Board/Chair before taking any action which they considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the relevant SG Portfolio Accountable Officer.
17. It is incumbent on the Chief Executive to combine their Accountable Officer responsibilities to the Scottish Parliament with their wider responsibilities to the Board. The Board / Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

<b>Portfolio</b>	<b>Accountable</b>	<b>Officer</b>	<b>responsibilities</b>
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18. The Principal Accountable Officer for the Scottish Administration will designate the Director General for Net Zero as the Accountable Officer for the SG portfolio budget for SEPA. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). They are personally answerable to the Scottish Parliament for ensuring that:
- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by SEPA conform to the requirements both of propriety and of good financial management;
  - the key roles and responsibilities which underpin the relationship between the SG and SEPA are set out in a framework document - and that this document is reviewed regularly;
  - effective relationships are in place at SG Director and Deputy Director level between the SG and SEPA in accordance with the strategic engagement principles;
  - there is effective continuous assessment and appraisal of the performance of the Chair of SEPA, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

### Scottish Government Director and Deputy Directors

19. The Director for Environment & Forestry, Deputy Director for Environmental Quality & Circular Economy and Deputy Director for Natural Resources have responsibility for overseeing and ensuring effective relationships between the SG and SEPA which support alignment of SEPA's business to the SG's Purpose and National Outcomes and high performance by SEPA. They will work closely with SEPA's Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with SEPA characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director shall be responsible for assessing the performance of the SEPA Chair at least annually.

### Sponsor Unit responsibilities

20. The SG sponsor unit for SEPA is Environment & Forestry Sponsorship Hub. It is the normal point of contact for SEPA in dealing with the SG. The unit, under the direction of the Director/Deputy Directors, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of SEPA and undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:
- discharging sponsorship responsibilities in line with the principles and framework set out in the document '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and SEPA;
  - ensuring that appointments to the SEPA Board are made timeously and, where appropriate, in accordance with the [Code of Practice for Ministerial Appointments to Public Bodies in Scotland](#);
  - proportionate monitoring of SEPA's activities through an adequate and timely flow of appropriate information, agreed with SEPA, on performance, budgeting, control and risk management;
  - addressing in a timely manner any significant problems arising in SEPA, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
  - ensuring that the objectives of SEPA and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems;
  - informing SEPA of relevant SG policy in a timely manner.

**Internal audit**

21. SEPA shall:
- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
  - set up an audit committee of its Board, in accordance with the [Audit committees](#) section of the SPFM, to advise both the Board and the Chief Executive in their capacity as the SEPA Accountable Officer;
  - forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including SEPA's opinion on risk management, control and governance and other relevant reports as requested;
  - keep records of, and prepare and forward timeously to the SG, an annual report on fraud and theft suffered by SEPA and notify the SG at the earliest opportunity of any unusual or major incidents.
22. The SG's Internal Audit Directorate has a right of access to all documents held by SEPA's internal auditor, including where the service is contracted out. The SG has a right of access to all SEPA internal audit records and personnel for any purpose.

**External audit**

23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, SEPA's annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit, the auditors have a statutory right of access to documents and information held by relevant persons. SEPA shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.
24. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which SEPA has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by SEPA to secure Best Value. For the purpose of these examinations, the examiners have a statutory right of access to documents and information held by relevant persons. In addition, SEPA shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors in relation to work done for SEPA, and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

**Annual report and accounts**

25. SEPA must publish an annual report of its activities together with its audited accounts after the end of each financial year. The publication of the annual report and accounts shall be done after they have been laid before Scottish Parliament. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of SEPA. It should comply with the Government [Financial Reporting Manual \(FReM\)](#) and outline SEPA's main activities and performance against agreed objectives and targets for the previous financial year.
26. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by SEPA shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

27. The draft annual report should be submitted to the SG for comment, and the draft accounts for information, before they are submitted to SEPA's Board, for approval. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers within nine months following the close of the previous financial year. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. SEPA shall be responsible for the publication of the annual report and accounts e.g. on SEPA's website.

## Management responsibilities

### Corporate and Annual Operating Plans

28. SEPA must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on SEPA's website. SEPA shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect SEPA's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how SEPA contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's [National Performance Framework](#) (NPF). The corporate plan for SEPA should include:
- the purpose and principal aims of SEPA;
  - an analysis of the context in which SEPA operates;
  - key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF;
  - how SEPA's activities contribute to Scotland's Sustainable Development Goals (SDGs)
  - indicators against which performance can be judged;
  - details of planned efficiencies, describing how SEPA proposes to achieve better value for money, including through collaboration and shared services;
  - other matters as agreed between the SG and SEPA.
29. The corporate plan should inform the development of a separate annual operating plan (AOP) for each financial year. The annual operating plan for SEPA should include key targets and milestones for the year immediately ahead, aligned to the NPF and SDGs, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of SEPA's AOP should be provided to the sponsor unit prior to the start of the relevant financial year. The AOP should be published on SEPA's website.

### Budget management

30. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, SG will send to SEPA a formal statement of its budgetary provision, and a note of any related matters and details of the budget monitoring information required by SG. The terms of that letter, referred to as the Budget Allocation and Monitoring letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across SG. As such, bodies must comply with the format and timing of the monitoring together with any requests for further information. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and ring-fenced (non-cash) (RfDEL). SEPA will inform the sponsor unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) budget is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision. Transfers of budgetary provision between the different classifications require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfers of provision within the classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure, e.g. the approved pay remit.



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31. If the trading and other resource income realised (including profit or loss on disposal of non-current assets) – scored as negative RDEL, or the net book value of disposals of non-current assets – scored as negative CDEL is less than included in the agreed budget. SEPA shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. If income realised is more than included in the agreed budgets, SEPA must consult and obtain the prior approval of the SG before using any excess to fund additional expenditure or to meet existing pressures. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests and donations, but this must be spent within the same financial year as the receipt, otherwise additional budget allocation will be required. In any event, income from all sources and all planned expenditure should be reflected in the monthly budget monitoring statement.

### Cash management

32. Any grant in aid (i.e. the cash provided to SEPA by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the NDPB - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by SEPA.
33. The banking arrangements adopted by SEPA must comply with the [Banking](#) section of the SPFM.

### Risk management

34. SEPA shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop an approach to risk management consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. SEPA's audit committee is also required, at the earliest opportunity, to notify the relevant Director General Assurance meeting if it considers that it has identified a significant problem which may have wider implications.

### Organisational security and resilience

35. As part of risk management arrangements, SEPA shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:
- [Having and Promoting Business Resilience \(part of the Preparing Scotland suite of guidance\)](#);
  - [The Scottish Public Sector Action Plan on Cyber Resilience](#) and associated guidance, in particular the [Cyber Resilience Framework](#).

### Counter fraud, bribery and corruption arrangements

36. SEPA should adopt and implement policies and practices to safeguard itself against fraud, bribery, corruption and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by an anti fraud, bribery and corruption action plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud, bribery or corruption.

## Performance management

37. SEPA 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 strategic aims, objectives, targets and milestones set out in the corporate and annual operating plans. The results of such reviews should be reported on a regular basis to the SEPA Board and copied to the SG. The SG shall assess SEPA's performance, proportionately, on a continuous basis and hold a formal review meeting at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the SEPA Chair at least once a year.

## SEPA staff management

### *Broad responsibilities for SEPA staff*

38. SEPA will have responsibility for the recruitment, retention and engagement of its staff. The broad responsibilities toward its staff are to ensure that:
- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
  - 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 (subject to the SG [Pay Policy for Staff Pay Remits](#));
  - the performance of its staff at all levels is satisfactorily appraised and SEPA's performance measurement systems are reviewed from time to time;
  - Staff are encouraged and supported to increase their competence and confidence in the relevant professional, managerial and technical areas to help SEPA more powerfully achieve its objectives;
  - proper consultation with staff and recognised Trade Union takes place on key issues affecting staff;
  - adequate grievance and disciplinary procedures are in place;
  - effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place;
  - a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs.

### *Pay and conditions of service*

39. SEPA will comply with SG Pay Policy in relation to staff, Chief Executive, Chair and Non-executive members of the Board. SEPA shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG [Pay Policy for Staff Pay Remits](#) and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. [Where applicable, SEPA will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the Chief Executive's remuneration package prior to appointment, annually, or when a new appointment or change to the remuneration package is being proposed.]

### *Pensions, redundancy and compensation*

40. Superannuation arrangements for SEPA staff are subject to the approval of the SG. SEPA staff shall normally be eligible for a pension provided by Falkirk Council Pension Scheme, a Local Government Pension Scheme. Staff may opt out of the occupational pension scheme provided by SEPA. SEPA will not make contributions to personal pension arrangements.

41. Any proposal by SEPA to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, SEPA should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

### **Asset and property management**

42. SEPA shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. 'Non-current' assets should be disposed of in accordance with the SPFM. The SG's Property Division should be consulted about relevant proposed disposals of property that SEPA holds for operational purposes (rather than investment) at the earliest opportunity so it may be advertised internally. An [Internal Advertisement](#) form must be completed and submitted at least one month prior to property being advertised on the open market. Any proposal to acquire land, buildings or other rights in property for accommodation / operational purposes should comply with the SPFM. SEPA is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

### **Specific financial provisions**

#### **Delegated authorities**

43. SEPA's specific delegated financial authorities - as agreed in consultation between SEPA and the SG - are set out in the attached **Appendix**. SEPA shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. SEPA shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

#### **Income generation**

44. SEPA shall seek to optimise income - grant in aid does not qualify as income - from all sources, and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by SEPA shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.
45. Gifts, bequests or donations received by SEPA score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, SEPA should be able to demonstrate that expenditure funded by gifts etc. is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc. SEPA shall consider if there are any associated costs in doing so or any conflicts of interests arising. SEPA shall keep a written record of any such gifts etc. and what happened to them.

#### **Financial investments**

46. Unless covered by a specific delegated authority, SEPA shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of SEPA. SEPA shall not invest in any venture of a speculative nature.

## Borrowing

47. Borrowing cannot be used to increase SEPA's spending power. All borrowing by SEPA - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

## Lease arrangements

48. Unless covered by a specific delegated authority, SEPA shall not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without the SG's prior approval. Before entering/ continuing such arrangements, SEPA must be able to demonstrate that the lease offers better value for money than purchase, and that all options of sharing existing public sector space have been explored. Non-property/accommodation related operating leases and leases of land for gauging stations are subject to specific delegated authority limits (see **Appendix**). SEPA must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

## Tax arrangements

49. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. SEPA must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of SEPA to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. SEPA must also ensure that it accounts properly for any output tax on sales or disposals of non-current assets.

## Settlement, severance, early retirement and redundancy

50. SEPA shall seek to deliver, and demonstrate, robust governance processes, best practice and value for money when developing and implementing a severance scheme or when developing a settlement agreement, in compliance with current policy, observing all policy limits as set out in the [Settlement, severance, early retirement, redundancy section](#) of the SPFM.

## Lending and guarantees

51. Any lending by SEPA must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit, SEPA shall not, without the SG's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

## Third Party Grants

52. SEPA has broad statutory powers within the provisions of the [Environment Act 1995](#) to take measures to protect the environment. Consequently, but subject to the provisions elsewhere within this framework document, SEPA can disburse grant monies to third parties in pursuance of the carrying out of its functions or in compliance with any terms of grants issued to SEPA by the Scottish Ministers in exercise of their powers under section 47 of the Environment Act 1995. Such funding would be subject to the guidance in the [Subsidy Control](#) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM.

### Impairments, provisions and write-offs

53. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers impairment, it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for SEPA's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against SEPA's resource DEL budget classification and is subject to a specific delegated limit.

### Insurance

54. SEPA is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred, SG shall consider, on a case by case basis, whether or not it should make any additional resources available to SEPA. The SG will provide SEPA with a Certificate of Exemption for Employer's Liability Insurance.

### Procurement and payment

55. SEPA's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving SEPA's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. All external consultancy contracts over the value of £100,000 (including VAT) or any proposal to award a contract without competition (non-competitive action) over the value of £50,000 (including VAT) must be endorsed in advance by the Chief Executive.

SG shall be consulted prior to any consultancy contracts being awarded or about any proposal to award a contract without competition (non-competitive action) unless covered by the delegated financial authority limits specified in the attached **Appendix** [specific delegated financial authorities]. SG will only support proposals where a case is made demonstrating that a genuine business need exists and, in the case of non-competitive action, outweighs the presumption to award contracts for goods, services and works through genuine and effective competition, in line with the SPFM. Additionally, all evidence in support of non-competitive action (NCA) should be produced on the basis of being able to withstand the scrutiny and challenge by another potential supplier.

56. Any major investment programmes or projects undertaken by SEPA shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM [and is also subject to a specific delegated authority]. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.
57. SEPA shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

### Gifts made, special payments and losses

58. Unless covered by a specific delegated authority, SEPA shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-salary Rewards](#) section of the SPFM.

### **Clawback**

59. Where SEPA has financed expenditure on assets by a third party, SEPA shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without the SEPA's prior consent. SEPA shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the SEPA contributed less than the whole cost of acquisition or improvement. SEPA shall also ensure that if assets financed by SEPA cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to SEPA.

### **Subsidy Control**

60. The EU State aid regime was effectively revoked from UK law from 1 January 2021 and subsidy control provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. This position may be subject if the UK Government establishing its own domestic subsidies control regime: a UK wide consultation on this is set to take place in the first half of 2021. Currently any activity that SEPA undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to the TCA subsidy rules. A full assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the [subsidy control](#) section of the SPFM.

### **Board expenses**

61. Remuneration (daily fees), allowances and expenses paid to Board members must comply with the SG [Pay Policy for Senior Appointments](#) and any specific guidance on such matters issued by the Scottish Ministers.

## EXECUTIVE SEPA MODEL FRAMEWORK DOCUMENT: APPENDIX

## SPECIFIC DELEGATED FINANCIAL AUTHORITIES

	<b>Delegated Limit</b> (including VAT) (£000s)
Incurring Expenditure, under exceptions set out in SPFM	250*
External business and management consultancies	100
Non-competitive action	50
Operating leases – other than property / accommodation related leases (which require SG approval) or leases relating to gauging stations (which are subject to the Acquisition or lease of land limit below)	100
Gifts	5
Special payments	5
Claims waived or abandoned	5
Write-off of bad debt and/or losses	250
Third party grants (as specified under paragraph 52)	100
Major investment programmes/ projects	250
Acquisition or lease of land	250

***\* To assist the Scottish Government in managing overall DEL commitment levels, prior approval is currently required by SG Finance for any incurring expenditure commitment over £250,000***