

Date: 17 October 2023

Governance Framework Agreement

between

The Ministry of Defence

as the Department

and

The Service Complaints Ombudsman for the Armed Forces



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Introduction and background

1. Purpose of document

1.1. This framework document (the “Document”) has been agreed between the Ministry of Defence (“the **MOD**”) and the Service Complaints Ombudsman for the Armed Forces (“the Ombudsman”, with their office hereafter referred to as “the **SCOAF**”) in accordance with HM Treasury's handbook Managing Public Money¹ (“**MPM**”) (as updated from time to time) and has been approved by HM Treasury.

1.2. The framework document sets out the broad governance framework within which the SCOAF and the MOD operate. It sets out the SCOAF's core responsibilities, describes the governance and accountability framework that applies between the roles of the MOD, the SCOAF, and sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters.

1.3. This Document does not detail the criteria or extent of the responsibilities, powers, and obligations of the Ombudsman under the Armed Forces Act 2006 (“the Act”) or relevant secondary legislation².

1.4. This Document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.

1.5. This Document will be published on [GOV.UK](https://www.gov.uk) and made available to members of the public on the SCOAF's [website](#). Copies of the Document and any subsequent amendments have been placed in the libraries of both Houses of Parliament.

1.6. This Document should be reviewed and updated at least every 3 years unless there are exceptional reasons that render this inappropriate. Where this is the case, agreement between the SCOAF, HM Treasury and the Principal Accounting Officer of MOD will be required. The latest date for review and updating of this document is 2025.

1.7. Should any discrepancies arise between this Document, the Act and the relevant supporting Secondary Legislation (as set out in paragraph 5.1), the legislation will take precedence.

Terminology & Definitions

1.8. Terms shown in bold and underlined text are linked to the glossary. The full glossary is at [Annex A](#).

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

² c. 52, as amended by the Armed Forces (Service Complaints and Financial Assistance) Act 2015 c. 19 and the Armed Forces Act 2021 c. 35. Further details on the current statutory framework are set out at paragraph 5.1 below.

2. Objectives

2.1. The MOD and the SCOAF share the common objective of delivering a Service Complaints system that is fair, effective, and efficient. To achieve this the SCOAF and the MOD will work together in recognition of each other's roles and areas of expertise, providing an effective environment for the SCOAF to achieve its objectives through the promotion of partnership and trust and ensuring that the SCOAF also supports the strategic aims and objective of the MOD and wider government as a whole.

3. Classification

3.1. The SCOAF's economic classification is currently being determined by the ONS. Although operating independently, it is not expected to be classified as its own separate institutional unit. Within the Government's Public Body classifications, it functions as a Statutory Office holder.

3.2. The SCOAF has been administratively classified by the Cabinet Office as a statutory office holder.

Purposes, aims and duties

4. Purposes

4.1. The office of the Service Complaints Ombudsman has been established under s365B of the Armed Forces Act 2006. Its purposes are to exercise the various powers and duties set out in Part 14A of the Act.

4.2. The Ombudsman's role is to provide independent and impartial oversight of the Service Complaints system for the Armed Forces.

Independence

4.3. The SCOAF is operationally independent of the MOD and the Armed Forces, whilst it is sponsored by the former.

4.4. This independence enables the SCOAF to provide fair and impartial oversight, making recommendations for change where necessary, without fear or favour. The real, perceived, and visible independence of the SCOAF from the MOD and authorities in its remit is fundamental to the purpose and function of the SCOAF.

4.5. The MOD will not intervene in relation to the determination of an individual service complaint by the Ombudsman.

5. Powers and duties

5.1. The Ombudsman's powers and duties stem from Part 14A of the Act. These are supplemented, at the present time, by the following regulations:

- The Armed Forces (Service Complaints Ombudsman) Regulations 2015 (S.I. 2015/1956) as amended by the Armed Forces (Service Complaints Ombudsman) Regulations 2022 (S.I. 2022/496).
- The Armed Forces (Service Complaints) Regulations 2015 (S.I. 2015/1955) as amended by the Armed Forces (Service Complaints) Regulations 2022 (S.I. 2022/494).
- The Armed Forces (Service Complaints and Financial Assistance) Act 2015 (Transitional and Savings Provisions) Regulations 2015 (S.I. 2015/1969).
- The Armed Forces (Service Complaints Miscellaneous Provisions) Regulations 2015 (S.I. 2015/2064).

5.2. The Ombudsman's statutory duties and functions are to:

- help Service personnel access the complaint system.

- investigate.
- review decisions relating to service complaints.
- report to Parliament.

6. Aims

6.1. The Ombudsman is responsible for setting SCOAF's strategic objectives in delivering the statutory functions, and these are published on the SCOAF's [website](#) and included in each year's business plan.

Governance and accountability

7. Governance and accountability

7.1. The SCOAF shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this framework document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.

7.2. The SCOAF publish their own operating procedures that set out the manner in which the organisation will carry out the delegated functions of the Ombudsman – these are available on the SCOAF's website. Should the SCOAF make any amendments to their procedures, they will notify the MOD and then publicise the updated version(s) to their website.

7.3. In particular (but without limitation), the SCOAF should:

- comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice³ (as amended and updated from time to time) to the extent appropriate and in line with their statutory duties or specify and explain any non-compliance in its annual report.
- comply with MPM.
- in line with MPM have regard to the relevant Functional Standards⁴ as appropriate and in particular those concerning Finance, Commercial and Counter Fraud.
- take into account the codes of good practice and guidance set out in [Annex B](#) of this framework document, as they apply to statutory office holders.

7.4. The SCOAF's funding is held centrally within the MOD, therefore instead of running its own processes, the SCOAF's accounts are consolidated within the MOD's accounts.

³ <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

⁴ <https://www.gov.uk/government/collections/functional-standards>

Role of the department

8. The responsible Minister

8.1. The Secretary of State for Defence is accountable to Parliament for all matters concerning the SCOAF.

8.2. The Secretary of State for Defence has responsibility for the day-to-day delivery of these functions but can delegate such responsibility and the relevant powers as required.

8.3. The Ministers' statutory powers in respect of the SCOAF are set out in Part 14A and s365B of the Act.

8.4. Through the exercise of these powers, the Minister:

- has the responsibility of laying the Ombudsman's annual report on the service complaints system before Parliament under s340O(4) of the Act.
- has a power of recommendation to His Majesty in relation to the appointment of the Ombudsman in line with the Governance Code on Public Appointments and s365B(2) of the Act.

Appointments

8.5. The Ombudsman is appointed by His Majesty on the recommendation of the Secretary of State for Defence under section 365B(2) of the Act. This appointment is subject to the Public Appointments Order in Council and as such must comply with the Governance Code on Public Appointments.

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

Other Ministerial powers and responsibilities

8.7. The Minister is also responsible for:

- the policy framework within which the SCOAF operates.
- setting the performance framework within which the SCOAF will operate.
- matters regarding spending approvals, acquisitions, disposals, and joint ventures in line with delegations as set out in the delegation letter ([Annex C](#)).

- such other matters as may be appropriate and proportionate.

9. The Principal Accounting Officer

9.1. The Principal Accounting Officer (“**PAO**”) is the Permanent Secretary of the Department.

PAO’s specific accountabilities and responsibilities

9.2. The SCOAF’s funding is held centrally within the MOD, with the PAO of the MOD providing financial delegation to the Director General (DG), the Chief of Defence People (“**CDP**”), as the budget holder. The DG will issue a letter to the Ombudsman sub-delegating financial authority, with Accounting Officer (“**AO**”) responsibilities remaining with the PAO. The letter will ensure that the Ombudsman is fully aware of their delegated responsibilities. It will also set out that they are personally accountable for delivering their function as the Service Complaints Ombudsman for the Armed Forces as effectively, efficiently, and economically as possible, and for safeguarding regularity and propriety.

9.3. The respective responsibilities of the PAO and AOs for Arm’s Length Bodies (“**ALBs**”) are set out in Chapter 3 of MPM.

9.4. The PAO is also responsible, usually via the sponsorship team, for advising the responsible Minister on:

- an appropriate framework of objectives and targets for the SCOAF in the light of the MOD’s wider strategic aims and priorities.
- an appropriate budget for the SCOAF in the light of the MOD’s overall public expenditure priorities.
- how well the SCOAF is achieving its strategic objectives and whether it is delivering value for money.
- the exercise of the Ministers’ statutory responsibilities concerning the SCOAF as outlined above.

9.5. The PAO via the sponsorship team is also responsible for ensuring arrangements are in place in order to:

- monitor the SCOAF’s activities and performance.
- where appropriate, address significant problems in the SCOAF, making such interventions as are judged necessary.
- periodically and at such frequency as is proportionate to the level of risk carry out an assessment of the risks both to the Department and the SCOAF’s

objectives and activities in line with the wider departmental risk assessment process.

- inform the SCOAF of relevant government policy in a timely manner.
- bring ministerial or departmental concerns about the activities of the statutory office holder to the Ombudsman, and, as appropriate to the departmental Board, requiring explanations and assurances that appropriate action has been taken.

10. The role of the sponsorship team

10.1. On behalf of the DG, the MOD's Conduct, Equity & Justice ("**CE&J**") Directorate in the MOD is the primary contact for the SCOAF. The responsible DG for this relationship is CDP. They are the main source of advice to the responsible Minister on the discharge of their responsibilities in respect of the SCOAF. They also support the PAO on their responsibilities toward the SCOAF.

10.2. At a working level, officials of the MOD's CE&J Directorate will liaise regularly with the SCOAF officials to review performance against plans, achievement against targets and expenditure against its DEL and AME allocations. The MOD's CE&J Directorate will also take the opportunity to explain wider policy developments that might have an impact on the statutory office holder.

10.3. The sponsorship team's other responsibilities to the SCOAF include:

- invite comments from the SCOAF on policy proposals, draft guidance, and policy frameworks, where appropriate.
- where required, assist in the budget negotiation with the MOD's Finance Business Partner for each financial year.
- support the development of positive and effective working relationships between the SCOAF and all parts of the MOD, ensuring that the sponsorship relationship is tailored and proportionate to the needs of both organisations.
- meet with the SCOAF officials to consider issues, risks, finance, and progress against business planning documents, ensuring that risks to both the SCOAF and the MOD are assessed periodically, and provide assurance to the PAO that robust governance arrangements are in place.
- address any significant problems in the governance or management of the SCOAF by raising them with the Ombudsman in the first instance, and if necessary, draw them to the attention of the PAO.
- advise and brief Ministers in respect of SCOAF's remit, when requested by Ministers.

Responsibilities of the SCOAF to Single Service Secretariats

10.4. SCOAF's responsibilities to the Single Service Secretariats include:

- Requesting information when undertaking investigations and sending draft and final reports.
- Providing representation at the MOD-led triannual Service Complaints Working Group.
- Leading the quarterly SCOAF Service Complaints Statistics Working Group.

Single Service Secretariats

10.5. Single Service Secretariats exist within the Royal Navy, Army, and Royal Air Force, with the responsibility of administering the service complaints process within the relevant Service.

10.6. The SCOAF should maintain relationships with the single Service Secretariats and engage with them as required to carry out the functions of the Ombudsman.

11. Resolution of disputes between the SCOAF and the Department

11.1. Any disputes between the MOD and the SCOAF will be resolved in as timely a manner as possible. The MOD and the SCOAF will seek to resolve any disputes through an informal process in the first instance. If this is not possible, then a formal process, overseen by the DG, will be used to resolve the issue. They may then choose to ask the Permanent Secretary to discuss with the Ombudsman, review the dispute, and agree a joint solution. If a dispute remains, the Secretary of State should be consulted and will make the final decision on how to proceed.

12. Freedom of Information requests

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

13. Reporting on legal risk and litigation

13.1. The SCOAF shall provide a quarterly update to the sponsor on the existence of any active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the sponsor in a timely manner.

13.2. In respect of each substantial piece of litigation involving the statutory office holder, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the MOD to facilitate this. In the context of litigation where SCOAF receives its own external legal representation and legal advice, which is protected by legal professional privilege, it will be for

SCOAF to decide whether to waive legal privilege and share any relevant material with MOD.

13.3. Until such time as a protocol is agreed, the parties will ensure that:

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

13.4. The SCOAF will manage any litigation arising from its operational activities. This may involve the Government Legal Department - where this is the case and the SCOAF is the client, they shall be treated as a wholly independent entity from MOD.

The SCOAF's governance structure

14. The Ombudsman

Responsibilities of the Ombudsman as the SCOAF budget holder

14.1. As the SCOAF's funding is held centrally within the MOD, the SCOAF's accounts are consolidated within the MOD's accounts.

14.2. Whilst AO responsibilities remain with the PAO, the Ombudsman has financial delegation as the budget holder of the SCOAF from the PAO via the DG and will be subject to MPM. The Ombudsman will be personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the SCOAF. In addition, they should ensure that the SCOAF as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of MPM. These responsibilities include the below and those that are set in the Letter of Delegation issued by the DG ([Annex C](#)).

Responsibilities for accounting to Parliament and the public

Service Complaints System Annual Report – s3400 of the Act

14.3. The Ombudsman will produce and publish an annual report after the end of each calendar year, which the Secretary of State will lay before Parliament – the SCOAF must give the report to the Secretary of State 'as soon as practicable after the end of the calendar year to which the report relates', as per s3400(3) of the Act.

14.4. As per s3400(2) of the Act, the annual report must cover the following:

- 'the efficiency, effectiveness, and fairness with which the system for dealing with service complaints has operated during that year.
- the exercise by the Ombudsman during that year of the Ombudsman's functions under this Part.
- such other aspects of [the Service Complaints system and/or the Ombudsman's functions], as the Ombudsman considers appropriate or the Secretary of State may direct.'

14.5. As stated in s3400(6) of the Act, the Ombudsman may also be required to 'prepare and give to the Secretary of State a report on':

- 'any aspect of the system mentioned in s3400(2)(a) of the Act.
- any matter relating to any of the Ombudsman's functions' under Part 14A of the Act.

14.6. Further responsibilities to Parliament and the public include:

- ensuring that proper records are kept relating to the SCOAF's accounts and that they are properly prepared and presented to the MOD as part of their consolidation into the Department's accounts.
- providing the MOD with information in relation to the SCOAF's corporate governance, risk management and oversight of any local responsibilities, for inclusion in the MOD's annual report and accounts.
- ensuring that effective procedures for handling complaints about the statutory office holder in accordance with [Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling](#) are established and made widely known within the SCOAF and published [on their website](#).
- acting in accordance with the terms of MPM and other instructions and guidance issued from time to time by the MOD, the Treasury, and the Cabinet Office.
- ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - any governing legislation.
 - this framework document.
 - any delegation letter issued to body as set out in [Annex C](#).
 - any elements of any settlement letter issued to the MOD that is relevant to the operation of the SCOAF.
 - any separate settlement letter that is issued to the SCOAF from the MOD.
- ensuring they have appropriate internal mechanisms for monitoring, governance, and external reporting regarding non-compliance with any conditions arising from the above documents.
- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the SCOAF's stewardship of public funds.

Responsibilities to the MOD

14.7. Responsibilities to MOD include:

- informing the MOD of progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives.

- ensuring that timely forecasts and monitoring information on performance and finance are provided to the MOD; that the Department is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the MOD in a timely fashion.

Managing Public Money and ministerial directions

14.8. If the Ombudsman considers that a proposed transaction would infringe upon the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency, or effectiveness, is of questionable feasibility, or is unethical, in their role as a delegated budget holder, they should reject that course of action.

14.9. If the responsible Minister agrees with the proposed course of action, it may be appropriate for the Minister to direct the Ombudsman in the manner as set out in MPM paragraph 3.6.6 onwards.

15. The SCOAF's Management Board

Composition of the Management Board

15.1. The SCOAF will set up a robust and proportionate governance structure i.e. a Management Board, that will ensure that effective arrangements are in place to provide assurance on risk management, governance and internal controls. In accordance with the Code of Good Practice for Corporate Governance² and the Audit and Risk Assurance Committee Handbook. The board is expected to assure itself of the effectiveness of the internal controls and risk management systems.

Duties of the Management Board

15.2. The Management Board will specifically be responsible for:

- establishing and taking forward the strategic aims and objectives of the SCOAF, consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State.
- ensuring the financial and human resources are in place for the SCOAF to meet its objectives.
- ensuring that the Board receives and reviews regular financial and management information concerning the management of the SCOAF.
- ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the SCOAF's Management Board or on the attainability of its targets, and determining the steps needed to deal with such changes and where appropriate bringing such matters to the attention of the responsible Minister and PAO via the executive team, sponsorship team or directly.

- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Management Board operates within the limits of its statutory authority and any delegated authority agreed with the MOD, and in accordance with any other conditions relating to the use of public funds.
- ensuring that in reaching decisions, the Management Board takes into account guidance issued by the MOD.
- ensuring that as part of the above compliance they are familiar with:
 - this framework document.
 - any delegation letter issued to body as set out in [Annex C](#).
 - any elements of any settlement letter issued to the MOD that is relevant to the operation of the SCOAF.
 - any separate settlement letter that is issued to the SCOAF holder from the MOD.
 - that they have appropriate internal mechanisms for the monitoring, governance and external reporting regarding any conditions arising from the above documents and ensure that the Ombudsman and the SCOAF as a whole act in accordance with their obligations under the above documents.
- demonstrating high standards of corporate governance at all times.
- making procedural arrangements for dealing with any conflicts of interest.

16. Individual board members' responsibilities

16.1. Individual board members should:

- comply at all times with the [Code of Conduct for Board Members of Public Bodies](#), which covers conduct in the role and includes the [Nolan Principles of Public Life](#) as well as rules relating to the use of public funds and to conflicts of interest.
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations.
- comply with the MOD's rules on the acceptance of gifts and hospitality, and of business appointments.
- act in good faith and in the best interests of the SCOAF.

Management and financial responsibilities and controls

17. Delegated authorities

17.1. The SCOAF's delegated authorities are set out in the delegation letter as detailed in [Annex C](#). This delegation letter may be updated and superseded by later versions which may be issued by the MOD in agreement with HM Treasury.

17.2. In line with MPM Annex 2.2 these delegations will be reviewed on an annual basis.

17.3. The SCOAF shall obtain the MOD's and where appropriate HM Treasury's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the statutory office holder's annual budget as approved by the MOD.
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications.
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the MOD.
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required.
- carrying out policies that go against the principles, rules, guidance, and advice in MPM.

17.4. From time to time, the MOD may need to impose department-wide spending controls on SCOAF that may require additional instances of written approval. In considering the applications under any such spending controls, the MOD must take due and proper regard to SCOAF's independence and ensure that SCOAF has the necessary resources to perform their functions. In respect of recruitment of staff, spending control applications should be applied in light of any specific agreement to further delegate the authority to recruit to SCOAF.

18. Spending authority

18.1. Once the budget has been approved by MOD (and subject to any restrictions imposed by statute, the responsible Minister's instructions, this document, HM Treasury settlement or delegation letters), the SCOAF shall have authority to incur

expenditure approved in the budget without further reference to the MOD, on the following conditions:

- the Ombudsman shall comply with the delegations set out in the delegation letter ([Annex C](#)). These delegations shall not be altered without the prior agreement of the MOD and as agreed by HM Treasury and Cabinet Office as appropriate.
- the Ombudsman shall comply with MPM regarding novel, contentious or repercussive proposals.
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.
- the SCOAF shall provide the MOD with such information about its operations, performance, individual projects, or other expenditure as the Department may reasonably require.

19. Banking and managing cash

19.1. The SCOAF must maximise the use of publicly procured banking services. Accounts with either NatWest or CitiBank, which are covered by the pan-Government contract for banking services, are managed centrally by Government Banking Services ("**GBS**"). The initial request to open a new bank account will be via the MOD's Treasury Management team, following which approval will also be required from GBS and HM Treasury.

19.2. The SCOAF should only hold money outside Government Banking Service accounts where a good business case can be made for doing so and HM Treasury consent (along with GBS approval) is required for each account to be established. Only commercial banks which are members of relevant UK clearing bodies may be considered for this purpose.

19.3. Commercial accounts where approved should be operated in line with the principles as set out in MPM.

19.4. The PAO is responsible for ensuring the SCOAF has a banking policy as set out in MPM and ensuring that policy is complied with.

20. Procurement

20.1. The SCOAF shall follow the MOD's policy, rules and guidance when procuring goods or services. The need to make efficient use of corporate MOD government contracts and frameworks, along with existing pan-Government arrangements will ensure the Department is gaining value for money.

20.2. In procurement cases where the SCOAF is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the MOD's sponsor team.

20.3. Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional, and a quarterly report explaining those exceptions should be sent to the MOD.

20.4. Procurement by the SCOAF of works, equipment, goods, and services shall be based on, a full option appraisal and value for money ("**VfM**"), i.e. the optimum combination and whole life costs and quality (fitness for purpose).

20.5. The SCOAF shall:

- engage fully with the MOD and government wide procurement initiatives that seek to achieve VfM from collaborative projects.
- comply with all relevant Procurement Policy Notes issued by Cabinet Office.
- co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of VfM.

20.6. The SCOAF shall comply with the commercial⁵ and grants standards⁶. These standards apply to the planning, delivery, and management of government commercial activity, including management of grants in all departments and ALBs, regardless of commercial approach used and form part of a suite of functional standards that set expectations for management within government.

21. Risk management

21.1. The SCOAF shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: Principles and Concepts⁷.

21.2. The SCOAF's Management Board will monitor and address its key risks, and where the risk is capable of affecting the MOD itself, escalate to the MOD sponsorship team for appropriate action.

21.3. Some support functions may include the management of aspects of risk on behalf of the SCOAF by the MOD, where appropriate. However, the SCOAF manages its own risk register and undertakes internal risk reviews.

⁵ <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

⁶ <https://www.gov.uk/government/publications/grants-standards>

⁷ http://www.hm-treasury.gov.uk/orange_book.htm

22. Counter fraud and theft

22.1. The SCOAF should adopt and implement policies and practices to safeguard itself against fraud and theft.

22.2. The SCOAF should act in line with guidance as issued by the Counter Fraud Function and in compliance with the procedures and considerations as set in in MPM Annex 4.9 and the Counter Fraud Functional Standard⁸. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide grant or grant-in-aid.

22.3. The SCOAF should keep records of and prepare and forward to the MOD, an annual report on fraud and theft suffered by the SCOAF and notify the MOD of any unusual or major incidents as soon as possible. The SCOAF should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

23. Staff

23.1. The Ombudsman role is a Crown appointment but staff at the SCOAF are civil servants, employed by the MOD, and are subject to MOD pay and conditions (including issues relating to pensions, redundancy, and compensation) and policies relating to the management of staff. The Ombudsman has no delegated power to amend these terms and conditions.

Recruitment

23.2. The Ombudsman has delegated authority to:

- recruit civil servants through the normal process abiding by MOD and Civil Service rules on recruitment and subject to any spending control restrictions. This also applies to civil servants recruited on loan or secondment from other departments. All new staff will have the necessary security clearance and pre-employment checks.
- where required and appropriate, engage external assistance (“**EA**”) as a temporary measure. EA provides a range of options for providing short term cover or where the appointment of a civil servant is not considered practical.
- recruit staff on loan or secondment for an agreed term from an organisation outside of the MOD. Such staff will have contracts agreed with their parent organisation and will be subject to the terms and conditions of their parent organisation.

⁸ <https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud>

Staff Costs

23.3. Subject to their delegated authorities, the Ombudsman will ensure that the creation of any additional posts does not incur forward commitments that will exceed SCOAF's ability to pay for them.

Financial reporting and management information

24. Budgeting procedures

24.1. The MOD has a responsibility for funding the SCOAF. However, the SCOAF should provide assurance to the PAO that they have systems in place adequate to meet the standards in Box 3.1 of MPM, and its successors (in line with the PAO's responsibilities in the MPM paragraph 3.3.1).

24.2. Each year, in the light of decisions by the MOD on the updated draft corporate plan, the Department will send to the SCOAF:

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

24.3. Once the budget has been approved by the MOD, the SCOAF will have authority to incur expenditure approved in the budget without further reference to the MOD, on the following conditions:

- the SCOAF will comply with delegations and spending controls.
- delegations will not be altered without prior agreement of the MOD.
- the SCOAF will comply with all MPM rules (including those on novel, contentious or repercussive proposals).
- inclusion of any planned and approved expenditure in the budget will not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.
- the SCOAF's business plan will take account of approved funding provision and any forecast receipts and will include a profile of expected expenditure and other income over the year.

24.4. The SCOAF will operate relevant systems that enable timely and effective reviews (at least quarterly) of financial and non-financial performance against the budgets and targets set out in the corporate and business plans. A mid-year review of the current year's business plan will aim to be completed in October and inform the identification of priorities for the following financial year. Reporting information to the MOD will be proportionate to the SCOAF's activities and risks posed to the MOD. As a minimum, the SCOAF will provide the MOD with monthly information that will enable the Department satisfactorily to monitor:

- the SCOAF's cash management and headcount information.
- forecast outturn by resource headings with variance analysis.
- other data required for HM Treasury's Online System for Central Accounting and Reporting.

24.5. The SCOAF will provide the MOD with such information about its operations, performance, individual projects, or other expenditure as the MOD may reasonably require.

24.6. Whilst the Ombudsman should remain within their financial budget, if at any time during the year they judge that they will have difficulties delivering their function, they should draw the matter to the DG's attention. It should be noted that the Ombudsman is expected to comply with direction where applicable, whilst noting that overall Higher Level Budget responsibility remains with the DG.

25. Annual report and accounts

25.1. The SCOAF will contribute into the MOD's consolidated annual report and accounts.

25.2. The SCOAF will develop and publish their own business plan on their website annually, whilst considering the Department's wider strategic aims and agreed priorities.

25.3. The business plan sets out the SCOAF's strategic objectives and how it intends to deliver these and support the Service Complaints system. It will also take account of approved funding provision and will include a profile of expected expenditure over the year.

25.4. The Ombudsman and the DG will meet quarterly to discuss performance and progress against the SCOAF's business plan as appropriate.

26. Reporting performance to the Department

26.1. The SCOAF shall engage with MOD colleagues who operate management, information, and accounting systems to enable the former to review, in a timely and effective manner, its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.

26.2. The SCOAF shall inform the MOD of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies, and the achievement of key objectives regularly.

26.3. The Permanent Under Secretary (or any other suitable person who may be nominated by the Secretary of State for Defence or Permanent Under Secretary) will conduct the Ombudsman's annual performance appraisal. This will be carried out in line with the MOD's annual timetable for performance reporting for SCS. In addition, the Ombudsman will also provide a summary of performance and 360-degree feedback.

26.4. The SCOAF's performance and delivery against its annual business plan will be assessed by the PAO or a suitably delegated person.

27. Information sharing

27.1. The MOD has the right of access to all the SCOAF's records and personnel for any purpose including, for example, sponsorship audits and operational investigations. However, all information relating to the SCOAF's casework is stored securely on their own systems and is not shared without the necessary consent.

27.2. The SCOAF shall provide the MOD with such information about its operations, performance, individual projects, or other expenditure as the MOD may reasonably require.

27.3. The MOD and HM Treasury may request the sharing of data held by the SCOAF in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.

27.4. As a minimum, the SCOAF shall provide the MOD with information monthly that will enable the Department satisfactorily to monitor:

- the SCOAF's cash management.
- forecast outturn by resource headings.
- other data required for the Online System for Central Accounting and Reporting ("**OSCAR**").
- data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter.

Audit

28. Internal audit

28.1. The SCOAF shall:

- establish and maintain arrangements for internal audit activities by ensuring that the MOD's Defence Internal Audit ("**DIA**") team have complete access to all relevant records.
- following DIA's transition to the Government Internal Audit Agency ("**GIAA**") in April 2023, the SCOAF shall continue those same arrangements for internal audit activities with GIAA's team, ensuring the GIAA team have complete and uninterrupted access to all relevant records.
- ensure that any arrangements for internal audit are in accordance with the Public Sector Internal Audit Standards ("**PSIAS**") as adopted by HM Treasury⁹.
- be represented on the MOD's Audit Committee.
- forward the audit strategy, periodic audit plans and annual audit report, including the SCOAF opinion on risk management, control, and governance as soon as possible to the MOD.
- keep records of and prepare and forward to the MOD, an annual report on fraud and theft suffered by the SCOAF and notify the MOD of any unusual or major incidents as soon as possible.
- will share with the MOD, information identified during the audit process and the Annual Audit Opinion Report (together with any other outputs) at the end of the audit, in particular on issues impacting on the MOD's responsibilities in relation to financial systems within the SCOAF.

29. External audit

29.1. The Comptroller & Auditor General ("**C&AG**") passes the audited accounts to the Secretary of State who will lay the accounts together with the C&AG's report before parliament.

29.2. The C&AG:

- will consult the MOD and the SCOAF on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG.

⁹ <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the SCOAF.
- will share with the MOD, information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the MOD's responsibilities in relation to financial systems within the SCOAF.
- will consider requests from departments and other relevant bodies to provide regulatory compliance reports and other similar reports at the commencement of the audit. Consistent with the C&AG's independent status, the provision of such reports is entirely at the C&AG's discretion.

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

Reviews and winding up arrangements

30. Review of the SCOAF's status

30.1. As the Ombudsman is a statutory office holder, there is no requirement for their role to be subject to a tailored review.

30.2. Should there be a need to undertake a review in the future, Cabinet Office advice would be sought.

31. Arrangements in the event that the SCOAF is wound up

31.1. The MOD shall put in place arrangements to ensure the orderly winding up of the SCOAF. In particular it should ensure that the assets and liabilities of the SCOAF are passed to any successor organisation and accounted for properly.

31.2. In the event that there is no successor organisation, the assets and liabilities should revert to the MOD. To this end, the MOD shall:

- have regard to Cabinet Office guidance on winding up of ALBs¹⁰.
- ensure that procedures are in place in the SCOAF to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body.
- specify the basis for the valuation and accounting treatment of the SCOAF's assets and liabilities.
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, for non-Crown bodies funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts.
- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the Department inherits the role, responsibilities, assets, and liabilities the MOD's AO should sign.

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

¹⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690952/Public_Bodies_-_a_guide_for_departments_-_chapter_10.pdf

Signed:



Vice Admiral Phil Hally CB MBE
Chief of Defence People
Ministry of Defence

Date: 17/10/2023



Signed:



Mariette Hughes
Service Complaints Ombudsman
SCOAF

Date: 17/10/2023



Annex A: Glossary

Acronym	Definition
ALB	Arm's Length Body
AO	Accounting Officer
C&AG	Comptroller & Audit General
CE&J	Conduct, Equity & Justice
CDP	Chief of Defence People
DIA	Defence Internal Audit
EA	External Assistance
GBS	Government Banking Services
GIAA	Government Internal Audit Agency
MOD	Ministry of Defence
MPM	Managing Public Money (handbook)
OSCAR	Online System for Central Accounting and Reporting
PAO	Principal Accounting Officer
PSIAS	Public Sector Internal Audit Standards
SCOAF	Service Complaints Ombudsman for the Armed Forces
VfM	Value for Money

Annex B: Guidance

The SCOAF shall comply with the following guidance, documents, and instructions:

Corporate governance

- This framework document.
- [Corporate Governance Code for Central Government Departments \(relevant to Arm's Length Bodies\) and supporting guidance](#).
- [Code of conduct for Board members of Public Bodies](#).
- [Code of practice for partnerships between Departments and Arm's Length Bodies](#).

Financial management and reporting

- [Managing Public Money \(MPM\)](#).
- [Government Financial Reporting Manual \(FReM\)](#).
- [Relevant Dear Accounting Officer \(DAO\) letters](#).
- [Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts](#).
- The most recent letter setting out the delegated authorities, issued by the parent department.

Management of risk

- Management of Risk: www.gov.uk/government/publications/orange-book and <https://www.gov.uk/government/publications/management-of-risk-in-government-framework>.
- [Public Sector Internal Audit Standards](#).
- [HM Treasury approval processes for Major Projects above delegated limits](#).
- [The Government cyber-security strategy](#) and [cyber security guidance](#).

Commercial management

- [Procurement Policy Notes](#).
- [Cabinet Office spending controls](#).
- [Transparency in supply chains - a practical guide](#).

Public appointments

- [Guidance from the Commissioner for Public Appointments](#).
- [Governance Code on Public Appointments](#).
- [Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees](#).

Staff and remuneration

- [HM Treasury guidance on senior pay and reward](#).
- [Civil Service pay guidance \(updated annually\)](#).
- [Public sector pay and terms](#).
- [Whistleblowing Guidance and Code of Practice](#).
- [The Equalities Act 2010](#).

General

- Freedom of Information Act guidance and instructions: www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- [The Parliamentary and Health Service Ombudsman's Principles of Good Administration](#).
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury).
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the SCOAF.

- [Guidance from the Public Bodies team in Cabinet Office.](#)
- [The Civil Service diversity and inclusion strategy](#) (outlines the ambition, to which Arm's Length Bodies can contribute).
- [Guidance produced by the Infrastructure and Projects Authority \(IPA\) on management of major projects.](#)
- [The Government Digital Service.](#)
- The Government Fraud, Error, Debt and Grant Efficiency function: www.gov.uk/government/collections/fraud-error-debt-and-grants-function and www.gov.uk/government/publications/grants-standards
- [Code of Practice for Official Statistics.](#)
- [Accounting Officer System Statements \(AOSS are produced by departments with input from ALBs\).](#)

Annex C: The Ombudsman's delegation letter template from the Chief of Defence People

LETTER OF DELEGATION FOR SERVICE COMPLAINTS OMBUDSMAN

1. It is both departmental policy and recognised good practice that effective and efficient management is promoted and achieved through a framework of delegated authority and corresponding accountability.
2. The Permanent Secretary delegated to me the appropriate authorities that I require as HLB holder. I am writing to confirm the delegation of the authorities that you require as the Budget Holder of the Service Complaints Ombudsman area is effective from [XX] for the duration of your time in post or until I decide to adjust them.

Context

3. The MOD's agreed outputs and priorities are set out in the current Defence Enabling Objectives and in the annual Defence Plan, where these are linked to the department's available resources. As part of the MOD's strategic planning cycle, I am required to agree with Permanent Secretary each year an updated Business Plan for Defence People, reflecting the outcome of the Annual Budgeting Cycle (ABC). Within this resource envelope I am expected to deliver Defence Outputs as specified in the Defence Plan. Given the financial constraints under which the department must operate, it is vital that we prioritise expenditure, resources and activities to meet the Government's ambition.
4. My Business Plan articulates how I intend to deliver our outputs with the resources we have been allocated, as well as the support that I have agreed to provide to the other Business areas/TLBs¹¹. There is an agreement between the Permanent Secretary and me, as the Chief of Defence People, to review delivery against it, and it will form part of the Stocktake meetings that the Permanent Secretary conducts with me and my Director stocktakes I will hold with you. My Business Plan can only be varied by mutual agreement and, should it be necessary to take in-year measures. I am expected to take measures to stay within my budget. If the impact on my business plan deliverables becomes unaffordable, I must find compensating reductions to offset any increase against my Control Total. I am required to inform the Finance Director, Head Office and Strategic Programmes of the impact that the measures will have on my Business Plan While all the requirements set out in this letter are important, I urge you to pay particular emphasis on establishing a culture, supported by processes, that gives prominence

¹¹ This support need not be articulated in detail in my Business Plan, provided it is recorded in an agreed Joint Business Agreement (JBA), Service Level Agreement (SLA), Statement of Requirement (SOR), or similar document held by both parties.

to delivering the Defence People Strategy. In this context, you will support me in the delivery of the outputs laid out in our Business Plan.

5. You are also required to operate within the department's corporate governance system. The MOD's formal internal control framework, which underpins the operating model, requires you to undertake specific compliance and assurance actions as specified by the relevant Defence Authorities¹².

Delegations

6. This letter specifically concerns your delegated authorities as Budget Holder for your area, which are set out in detail in Annexes [XX] to [XX] below. These include your Financial Delegations (Annex [XX]), Personnel/Human Resources Delegations (Annex [XX]) and Annex [XX] cover Commercial delegations.

7. Your delegated authorities will remain extant for as long as you remain in your post; or until I decide to adjust them. Strict adherence to the terms and scope of your delegated authorities - and any associated requirements, conditions, and guidance - is essential. Should you have any doubts about the interpretation or exercise of your authorities, you should seek guidance from our Finance Business Partner.

Accountability

8. You are personally accountable to me for:

- a) delivering your part of the CDP Business Plan's outputs as effectively, efficiently, sustainably, and economically as possible;
- b) ensuring the security and resilience of those outputs. I also look to you to establish an effective organisation to implement security policy as specified by MOD's Director of Security and Resilience;
- c) safeguarding regularity and propriety;
- d) the required Health and Safety and Environmental Protection measures;
- e) reporting on performance and risk; and
- f) remaining within your control totals.

9. Finally, I should be grateful if you would sign and return the attached proforma to me to confirm that you understand the terms and extent of your delegated authorities and the accountability that they entail, as stated in the Annexes to this letter.

¹² For example, in respect of fraud, commercial matters, intellectual property, and business continuity