

NATIONAL MUSEUMS SCOTLAND FRAMEWORK DOCUMENT

Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with National Museums Scotland (NMS). Within the context of relevant legislation, it sets out the broad framework within which NMS will operate and defines key roles and responsibilities which underpin the relationship between NMS and the SG. While this document does not confer or constrain 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 NDPB will be taken forward in consultation and in the light of SG and NMS priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with NMS. Legislative provisions shall take precedence over any part of the document, including, but not exclusively, section 3 of the National Heritage (Scotland) Act 1985 which determines the extensive powers of the Board of Trustees to act for the purpose of discharging their functions.

2. NMS shall not establish new subsidiaries or enter into joint ventures without the express approval of the SG. NMS shall ensure that the actions of any subsidiaries do not put it (NMS) in breach of the SPFM.

3. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and the NMS websites.

Purpose

4. NMS is to contribute to the achievement of the SG's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the SG's published Economic Strategy and National Performance Framework.

5. NMS's statutory duties, as set out in the National Heritage (Scotland) Act 1985, are to:

- 5.1 Care for, preserve, and add to the objects in their collections;
- 5.2 Secure that the objects are exhibited to and interpreted for the public;
- 5.3 Secure that the objects are available to persons seeking to inspect them in connection with study or research;
- 5.4 Generally promote the public's awareness, appreciation and understanding of matters agricultural, archaeological, architectural, artistic, cultural, environmental, historical, industrial, military, scientific and social both by means of the Board's collections and by such other means, including collaboration with other institutions, as they consider appropriate: and
- 5.5 Provide education, instruction and advice and carry out research.

6. NMS's strategic aims and objectives are those set out in the latest National Museums Scotland Strategic Plan approved by Scottish Ministers. These aims shall support the statutory responsibilities of NMS and Ministerial objectives and shall be such as to enable compliance with this Framework Document.

Relationship between Scottish Government and National Museums Scotland

7. Effective strategic engagement between the SG and NMS 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 NMS 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.

Governance and accountability

Legal origins of powers and duties

8. The National Museums of Scotland (NMS) is established under the National Heritage (Scotland) Act 1985 (Chapter 16). The constitution of NMS is set out in Part 1 of Schedule 1 of the Act. NMS does not carry out its functions on behalf of the Crown. NMS is a registered charity (SC011130) and must take into account all relevant charity law and guidance issued by the Office of the Scottish Charities Regulator (OSCR).

Ministerial responsibilities

9. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of NMS and its use of resources. They are not however responsible for day to day operational matters, and founding legislation prevents them from directing NMS in relation to specific statutory functions. Their responsibilities include:

- agreeing NMS'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 NMS, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the National Heritage (Scotland) Act 1985 such as appointments to NMS's board, approving the terms and conditions of board members, and approving the appointment of the Director; and
- other matters such as approving NMS's pay remit and laying the accounts (together with the annual report) before the Parliament.

NMS Board Responsibilities

10. The NMS board, including the chair, normally consists of 9-15 Trustees appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure the Body 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 the body 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 NMS 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 appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that NMS acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. (The board must set up an audit committee chaired by a board member to provide 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;
- ensuring that the board receives and reviews regular financial information concerning the management and performance of NMS and is informed in a timely manner about any concerns regarding the activities of NMS;

- appointing with the approval of the Scottish Ministers the NMS Director and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of NMS and the delivery of outcomes; and
- 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 Board Members of Public Bodies in Scotland'.

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 NMS board and the Scottish Ministers should normally be through the chair. He or she is responsible for ensuring that NMS'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;
- advice is provided to Scottish Ministers on the balance of skills of board members appropriate to directing NMS business, in accordance with recognised good practice in corporate governance;
- the board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- the Scottish Ministers are advised of NMS's 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 Director.

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 NMS 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 NMS by the Scottish Ministers but also any other funds falling within the stewardship of NMS, 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: A Guide for Board Members of Public Bodies in Scotland](#).

NDPB Director responsibilities

15. The Director of NMS is employed and appointed by the board with the approval of the Scottish Ministers. He is the board's principal adviser on the discharge of its functions and is accountable to the board. His role is to provide operational leadership to NMS and ensure that the board's aims and objectives are met and NMS's functions are delivered and targets met through effective and properly controlled executive action. His general responsibilities include the performance, management and staffing of NMS. General guidance on the role and responsibilities of the Director 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 NMS adheres, where appropriate, to the SG's [Programme and Project Management Principles](#);
- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of the NDPB's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public;
- ensuring that adequate systems of internal control are maintained by NMS, including effective measures against 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 NMS compared with its aims and objectives;
- preparing NMS's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers;
- ensuring effective relationships with SG officials; and
- 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.

NMS Accountable Officer responsibilities

16. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Director as the Accountable Officer for NMS. 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 NMS's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of NMS are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM;
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the board / chair before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions.

17. It is incumbent on the Director to combine his Accountable Officer responsibilities to the Scottish Parliament with his wider responsibilities to the board. The board / chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Director, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

18. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for Economy as the Accountable Officer for the SG portfolio budget for NMS. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). He is 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 NMS 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 NMS are set out in a framework document - and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy-Director level between the SG and NMS in accordance with the strategic engagement principles; and
- there is effective continuous assessment and appraisal of the performance of the chair of NMS, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director

19. The Director for Culture, Tourism and Major Events and Deputy Director for Culture and Historic Environment have responsibility for overseeing and ensuring effective relationships between the SG and NMS which support alignment of NMS's business to the SG's Purpose and National Outcomes and the performance of NMS. They will work closely with the NMS Director and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with NMS characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director for Culture, Tourism and Major Events shall be responsible for assessing the performance of the NMS Chair, at least annually.

Sponsor unit responsibilities

20. The SG sponsor unit for NMS is the Sponsorship and Funding Team. It is the normal point of contact for NMS in dealing with the SG. The unit, under the direction of the Director/Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of NMS and undertakes the responsibilities of the Portfolio Accountable Officer on his 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 NMS;
- ensuring that appointments to the NMS 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 NMS's activities through an adequate and timely flow of appropriate information, agreed with NMS, on performance, budgeting, control and risk management;
- addressing in a timely manner any significant problems arising in NMS, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of NMS and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems; and
- informing NMS of relevant SG policy in a timely manner.

Internal audit

21. NMS shall:

- establish and maintain arrangements for internal audit in accordance with the [Government Internal Audit Standards](#) (GIAS) 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 Director in his capacity as the NDPB Accountable Officer;
- forward timeously to the SG the internal audit strategy, annual internal audit plans and annual internal audit assurance report; and
- notify timeously to the SG any significant fraud or theft suffered by the NDPB.

22. The SG's Internal Audit Division has a right of access to all documents held by the NMS internal auditor, including where the service is contracted out. The SG Internal Audit Division and Accountable Officer have a right of access to all NDPB records and personnel for any purpose, subject to any legal restrictions.

External audit

23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, NMS'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. NMS 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 NMS has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by NMS 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, NMS shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors 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. NMS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of NMS. It should comply with the Government [Financial Reporting Manual](#) (FReM) and outline NMS'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 Charities SORP) 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 NMS shall be consolidated in its accounts in accordance with relevant accounting standards.

27. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 31 August. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 31 October. 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. NMS shall be responsible for the publication of the report and accounts e.g. on its website.

Management responsibilities

Corporate and business plans

28. NMS must ensure that a corporate / strategic plan, agreed with the Scottish Ministers, is in place and published on its website. NMS 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 NMS'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 NMS 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 NMS should include:

- the purpose and principal aims of NMS;
- an analysis of the environment in which NMS 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;
- indicators against which performance can be judged;
- details of planned efficiencies, describing how NMS proposes to achieve better value for money, including through collaboration and shared services; and
- other matters as agreed between the SG and NMS.

29. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for NMS should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of NMS's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

Budget management

30. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to NMS by 1 March a formal statement of its budgetary provision, a note of any related matters and details of the budget monitoring information required by the SG. Transfers of budgetary provision between the different summary classifications [i.e. resource DEL, non-cash DEL, capital DEL and AME] as advised would 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 summary classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

31. If the trading and other resource income - or the net book value of disposals of non-current assets - realised is less than included in the most up to date agreed budget NMS shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which NMS exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.) Excluding income resulting from gifts, bequests or donations, if the amounts realised or expected to be realised in-year are more than estimated, you must discuss the financial impact with the sponsor team before using any excess to support additional expenditure.

Cash management

32. Any [grant in aid](#) (i.e. the cash provided to the NDPB 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 (excluding cash associated with the Board Reserve). 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 NMS.

33. The banking arrangements adopted by NMS must comply with the [Banking](#) section of the SPFM unless otherwise specifically agreed.

Risk management

34. NMS 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 a risk management strategy, 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. The NMS audit committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

Fraud management

35. NMS should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud. In addition NMS should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

Performance management

36. NMS 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 business plans. The results of such reviews should be reported on a regular basis to the NMS board and copied to the SG. The SG shall assess NMS's performance on a continuous basis and undertake a formal internal review at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the NMS chair at least once a year.

NMS staff management

Broad responsibilities for NMS staff

37. NMS will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- personnel 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 NMS's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve NMS's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs – see chapter 5 of [Public Bodies: A Guide for Departments](#).

Pay and conditions of service

38. NMS 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 seek to negotiate a pay settlement within the terms of the approved remit. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. NMS shall comply with employment and equalities legislation. The terms and conditions of the Director are subject to a separate approval exercise in line with the SG Pay Policy for Senior Appointments. NMS shall ensure that staff of NMSE are paid the Scottish Living Wage as a minimum.

Pensions, redundancy and compensation

39. Superannuation arrangements for NMS staff are subject to the approval of the SG. NMS staff shall normally be auto-enrolled for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by NMS, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the contribution that would have been made under a PCSPS pension.

40. Any proposal by NMS 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 [Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and *before* the individual is approached and any offer made either orally or in writing.

Asset and property management

41. NMS shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Management of Assets](#) section of the SPFM. "Fixed" assets should be disposed of in accordance with the [Disposal of Property, Plant & Equipment](#) section of the SPFM. The SG's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 1 month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property should comply with the [Acquisition of Property](#) section of the SPFM. NMS is also subject to the [SG Asset Management Policy](#), including the requirement for any new commitments to be signed off by the Scottish Ministers. Information concerning NMS should be accurately recorded and updated as necessary by NMS on the Office of Government Commerce [electronic Property Information Mapping System](#) (e-PIMS).

Specific financial provisions

Agreed Financial Limitations

42. Specific financial limitations, which constrain the general powers of the NDPB set out in section 3 of the National Heritage (Scotland) Act 1985, are agreed in consultation between the NDPB and the SG as the attached **Appendix**. The NDPB shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure beyond these limits. NMS 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

43. NMS shall seek to optimise income - grant in aid does not qualify as income - from all sources, including from the [European Union](#), 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 NMS shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.

44. Gifts, bequests or donations received by NMS 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, NMS 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. NMS shall consider if there are any associated costs in doing so or any conflicts of interests arising. NMS shall keep a written record of any such gifts etc. and what happened to them.

Financial investments

45. Unless covered by a specific delegated authority NMS 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 NMS. NMS shall not invest in any venture of a speculative nature.

Borrowing

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

Lease arrangements

47. Unless covered by a specific delegated authority NMS 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 NMS 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 are subject to a specific delegated authority. NMS must have capital DEL provision for finance leases and other transactions which are in substance borrowing. This clause does not apply to the storage of museum objects / artefacts or appropriate cases for displaying or transporting exhibits.

Tax arrangements

48. 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. NMS 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 NMS to observe VAT legislation and recover input tax where it is entitled to do so. NMS must also ensure that it accounts properly for any output tax on sales or disposals.

Lending and guarantees

49. Any lending by NMS 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 NMS 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 or in International Financial Reporting Standards), 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

50. Unless covered by a specific delegated authority NMS shall not, without the SG's prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [State Aid](#) 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

51. 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 NMS'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 NMS's resource DEL budget classification and is subject to a specific delegated limit.

Insurance

52. NMS 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 the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to NMS. The SG will provide NMS with a Certificate of Exemption for Employer's Liability Insurance.

Procurement and payment

53. NMS's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving NMS's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. Unless covered by a specific delegated authority any proposal to award a contract without competition (non-competitive action) must be approved in advance by the SG. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the Cabinet Secretary for Infrastructure and Capital Investment and the Cabinet Secretary for Finance, Employment and Sustainable Growth.

54. Any major investment programmes or projects undertaken by the NDPB shall take into account the guidance in the [Major Investment Projects](#) section of the SPFM. 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. Major ICT investment plans must be reported to the SG's Information Services Investment Board.

55. NMS 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

56. Unless covered by a specific delegated authority NMS shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject 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

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

Board expenses

58. Remuneration, 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 NDPB MODEL FRAMEWORK DOCUMENT: APPENDIX

SPECIFIC FINANCIAL LIMITATIONS

	Agreed Limit
External business and management consultancies	£100,000
Major capital or maintenance projects	£1m for projects which deliver a net increase in running costs. £3m for those which are cost neutral or better.
Non-competitive action	£50,000
Operating leases – other than property/ accommodation related leases	£50,000
Gifts	£1,000
Special payments	£10,000
Claims waived or abandoned	£10,000
Write-off of bad debt and/or losses	£10,000

March 2018