



Department
for Culture
Media & Sport

NHMF MANAGEMENT AGREEMENT 2016-2020

Part A: NHMF Priorities, Funding and Engagement

1. Secretary of State's Priorities

The Secretary of State's priorities for National Heritage Memorial Fund (NHMF) are:

- That you continue to support essential roof repairs to local churches and cathedrals along with other places of worship under the Listed Places of Worship (LPOW) scheme;
- That we would encourage all Lottery Distributors to work together to promote National Lottery good causes.
- To support the policy objectives of the Culture White Paper including the Great Place initiative and cultural diplomacy agendas (including furthering international engagement for heritage).

The following priorities are set out in your settlement letter dated March 3rd 2016 and support the DCMS single departmental plan:

- Continue to support essential roof repairs to local churches and cathedrals, along with other places of worship.

Conditions of on-going funding to the NHMF are:

- That the NHMF continues its important role as the fund of last resort for acquisitions of heritage at risk of being lost to the nation;
- That the cost of processing applications to the National Heritage Memorial Fund should be kept below 5% of Exchequer income and;
- That the cost of processing applications to Heritage Lottery Fund should be kept below 5% of Lottery income and total Lottery operating costs should be kept below 8% of Lottery income.

In addition the NHMF has the following current strategic priorities, details of which are set out in the NHMF's Business Plan:

- Heritage outcomes:

- With the NHMF investment, heritage will be:
 - better managed
 - in better condition
 - better interpreted and explained
 - identified and recorded.
- Outcomes for individuals. With NHMF investment, people will have:
 - learnt about heritage
 - developed skills
 - changed their attitudes and/or behaviour
 - had an enjoyable experience
 - volunteered time.
- Outcomes for communities/society. With NHMF investment:
 - environmental impacts will be reduced
 - more people and a wider range of people will have engaged with heritage
 - organisations will be more resilient
 - local economies will be boosted
 - local areas/communities will be a better place to live, work or visit.

2. Financial Allocation

The NHMF's financial settlement for 2016-20 is as set out in its Spending Review Settlement letter of 3 March 2016 and any further allocation letters.

3. Performance Measures

National Heritage Memorial Fund:

- The decision on an application will normally be taken at the next available decision meeting following assessment in:
- Urgent acquisitions 3 months
- Other projects 6 months
- Grant payments will be made to the grantee within 15 working days from receipt by NHMF of the payment request

Heritage Lottery Fund:

- A number of our grant programmes have published application deadline and decision dates. We will meet those deadlines.
- For those applications without fixed deadlines, decisions will normally be taken at the next available decision meeting following assessment in:

- Heritage Grants first round 12 weeks, second round 12 weeks
- Major Batch second round 12 weeks
- Heritage Enterprise first round 12 weeks, second round 12 weeks
- Landscape Partnership second round 16 weeks
- Grants for Places of Worship first round 12 weeks, second round 12 weeks
- Townscape Heritage second round 12 weeks
- First World War: Then and Now 8 weeks
- Our Heritage (including transition funding), 8 weeks
- Shared Heritage, 8 weeks
- We will undertake a survey of successful and unsuccessful applicants and aim to maintain customer satisfaction with our assessment processes at no less than 80%.
- We will undertake a similar survey of those to whom we have awarded grants and aim to maintain customer satisfaction with our monitoring and post-award processes at no less than 85%.
- The proportion of applicants that find the HLF website easy to use will be at least 87%.
- We will publish decisions on our website within a maximum of twenty working days, and will actively promote a wide selection of our awards via the media, to generate awareness amongst potential applicants and National Lottery player

4. Engagement

The Department and the NHMF have agreed an engagement calendar as set out below. This contact will be in addition to routine and policy led contact between the Department and the NHMF. The DCMS Finance and HR Teams may agree a separate calendar of engagement with the NHMF finance and HR team.

- Annual - Meeting between DCMS Director and ALB Chair to discuss ALB and Board performance
- Monthly - Engagement meeting between DCMS sponsor and ALB liaison
- Bi-Annually - Meeting to review of NHMF performance indicators

Part B: FINANCIAL CONTROLS

5. Delegated Financial Limits

All delegations are subject to the requirement that spending proposals falling within Managing Public Money Annex should be referred to DCMS. These are:

- Items which are novel, contentious or repercussive, even if within delegated limits;
- Items which could exceed the agreed budget and Estimate limits;
- Contractual commitments to significant spending in future years for which plans have not been set;
- Items requiring primary legislation (e.g. to write off NLF debt or PDC);
- Any item which could set a potentially expensive precedent;
- where Treasury consent is a specific requirement of legislation.

Unlimited (unless otherwise specified)

5.1. Capital Expenditure

- Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles), art works and additions to the collection with an expected working life of more than one year. Also includes exchanges of fixed assets.
 - £11million.
- Expenditure on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Public Finance Initiative Provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls
 - £100k. Approval for leases over £100,000 can only be given by the Chief Secretary to the Treasury and must provide value for money for Government as a whole or demonstrate exceptional circumstances.

5.2. Single Tender Contracts

The delegation for single tender contracts is set at **£50k** for each contract. Proposals for awarding single tender contracts outside this delegated limit must have the prior approval of DCMS before any contract is awarded.

5.3. Gifts

- Gifts received by the NHMF – Unlimited
- In a financial year, any one gift or total of gifts by the NHMF – to one person /organisation; to staff. Gifts to staff are also subject to the following Cabinet office guidance - <http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality> - £1000

Proposals for making gifts outside this delegated limit must have the prior approval of DCMS. The NHMF must keep a record of gifts given. Details of gifts to one person/organisation should be noted in the annual accounts if individually or collectively, they exceed £1,000.

5.4. Fraud

No delegation. All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported by the National Heritage Memorial Fund to the Department as soon as it is discovered.

5.5. Non-Statutory Contingent Liabilities

Up to £100k

5.6. Losses and Special Payments

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of the National Heritage Memorial Fund Accounting Officer. The NHMF should consult DCMS where cases:

- Involve important questions of principle;
- Raise doubts about the effectiveness of existing systems;
- Contain lessons which might be of wider interest;
- Are novel or contentious;
- Might create a precedent for other departments in similar circumstances;
- Arise because of obscure or ambiguous instructions issued centrally.

5.7. Classification of Losses

Type	Description	Delegation
A.	Losses	BLANK
(i)	<u>Cash losses</u> : Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)	£100k
(ii)	Bookkeeping losses: <ul style="list-style-type: none"> • unvouched or incompletely vouched payments, including missing items; • charges to clear inexplicable or erroneous debit balances. 	£100k
(iii)	<u>Exchange rate fluctuations</u> : Losses due to fluctuations in exchange rates or revaluations of currencies.	£100k
(iv)	Losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and NDPB employees:	£100k
(iv.i)	Overpayments due to miscalculation, misinterpretation, or missing information	£50k
(iv.ii)	Losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.	£100k
(iv.iii)	Losses arising from failure to make adequate charges for the use of public property or services.	£50k
(v)	Stock write offs and impairments : The accounting loss incurred as a result of the reduction of the holding value of stock or inventory to an impaired or nil fair value in accordance with the relevant accounting principles.	£1 million
B.	Losses of accountable stores:	£50k
(v)	because of proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. even where a legal claim is not possible).	£2k
(vi)	losses arising from other causes.	£100k

Type	Description	Delegation
C.	Fruitless payments and constructive losses	£100k
D.	Claims waived or abandoned	£100k

A record of losses should be maintained and if the total of losses or special payments in the year exceeds £2k the annual accounts should include a statement, with any individual losses and special payments exceeding 100k specifically identified.

5.8. Special Payments

Special severance payments: There is no delegation for special severance payments (payments made to the employee outside their statutory or contractual entitlement upon termination of their employment contract). Each payment, regardless of value will require HM Treasury approval before an offer can be made.

Redundancy payments: All redundancy payments outside contractual terms, require DCMS and Cabinet Office permission in all cases.

Type	Special payments:	Amount
(i)	extra-contractual and ex gratia payments to contractors;	£50k
(ii)	other ex gratia payments;	£50k
(iii)	compensation payments;	£50k
(iv)	extra-statutory and extra-regulatory payments.	£50k
(v)	consolatory payments: A special payment to address an inconvenience or hardship to a third party, arising from administrative failures i.e. where the organisation has not acted properly or provided a poor service. These can include: wrong advice, discourtesy, mistakes and delays.	£500

5.9. Disposal of Assets

Limit for land and buildings purchased wholly or mainly with Exchequer money or National Lottery funds: £1million

All assets disposals, regardless of value, should be notified to DCMS through the routine monthly financial reporting processes.

The NHMF should apply for permission to retain any receipts where the aggregate annual total exceeds the amounts below notified to the Department at the Spending Review, except where directed by the Secretary of State to dispose of property, in such a case the receipts will revert to the Secretary of State (unless receipts relate to the sale of part(s) of the NHMF Endowment Fund).

- 2016/17 - £100k
- 2017/18 - £100k
- 2018/19 - £100k
- 2019/20 - £100k

6. Spend controls

The NHMF is subject to the latest Cabinet Office spend controls set out at <https://www.gov.uk/government/publications/cabinet-office-controls> and the DCMS thresholds for spend controls, as set out in the latest [DCMS Spend Control Guidance](#).

All Cabinet Office spend controls apply to the NHMF.

7. Procurement

The NHMF must comply with the Public Contracts Regulations 2015 (PCR) in its procurement activity.

The NHMF shall:

- Acquire goods and services through fair and open competition, using LEAN methodology where appropriate, delivering value for money through procurement, and operating in line with European law, including restrictions on state aids and current best practice, inclusive of open procurements for requirements under £100,000 where appropriate and restricted use of Pre-Qualification Questionnaires.
- Comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by the Department.
- Support collaborative procurement and commercial efforts across DCMS and its family of other ALBs.

8. Management Information

The table below sets out the management information that the Department expects the NHMF to provide in the course of a 12 month period. These may be subject to change depending on future information requirements.

Timescale	What	How	Purpose
Monthly (9th working day of each month)	Grant-in-Aid requests	Via Finance Partnership Webpage	To get the ALB's latest forecast income and expenditure for reporting to Board and HM Treasury. Also the mechanism for paying GIA to the National Heritage Memorial Fund.
Monthly	Consultancy return (including nil returns)	By e-mail to DCMS Procurement and Commercial Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Monthly	Cash management figures.	By e-mail to Finance	To supply HM Treasury with forecast for cash management.
Monthly	Spend over £25,000	On the ALB's website	Transparency: to inform public how public money is spent
Quarterly	Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector)	By e-mail to DCMS Procurement and Commercial Team	Benchmarking of procurement spend and provision of data on economic effect of spend by Departments and ALBs

Quarterly	Exchequer funds held in commercial bank accounts	By e-mail to Finance	To supply HM Treasury with details of how much government funding is held outside GBS
Quarterly	Medium Term Financial Model returns	By e-mail to Finance	To get the ALB's latest capital profiles for internal management and reporting to Finance Committee
Six-monthly	Publication of senior salaries and organograms	On the ALB's website or hosted on DCMS website	Transparency: to inform public how public money is spent
Annually	Alignment/WGA	Alignment consolidation packs, WGA transactions and balances exercise	Alignment: to consolidate the ALB's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation.
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet HM Treasury requirement to supply centre with sustainability data
Annual	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	By e-mail to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually - Mid August	Country and Regional analysis data	By e-mail to Finance	HM Treasury requirement - feeds into the Core Tables for the Annual Report and Accounts

Annually	Annual report and accounts	By e-mail to Finance as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	Pay Remit and pay remit outturn	By e-mail to ALB Team	To ensure spend on pay is aligned across Government
Annually	Publication of salaries over £150k	By e-mail to ALB Team (for publication on Cabinet Office website)	Transparency: to inform public how public money is spent
Annually	Sharing of Strategic Risk Register as per paragraph 13.1 of the Governance framework.	At annual performance meeting	Enable timely and appropriate response to risk
Ad hoc immediate as required	Completion and updating of e-Pims™ database	Directly into e-Pims™ system	To ensure accurate property and estate information is maintained at all times
On request	Sharing of audit strategy, periodic audit plans and annual audit report, including the Head of Internal Audit's opinion on risk management, control and governance.	With Finance and Head of, on request	Assurance of financial management

Part C: NHMF Governance Framework

9. Introduction

This agreement has been drawn up by the Department for Culture, Media and Sport (“DCMS”) in consultation with the NHMF. This document sets out the broad framework within which the NHMF will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and the NHMF. Copies of the document will be placed in the Libraries of both Houses of Parliament and made available to members of the public on the NHMF’s and HLF’s website, with a link to it on the DCMS site.

The agreement will remain in place until it is superseded by a new agreement. The agreement should be treated as a living document and reviewed by both sides annually in March. Any changes to ministerial priorities, policy requirements and KPIs will be made by exchange of letters between the Minister and the NHMF Chair; all other changes will be made by exchange of letter between the DCMS Permanent Secretary and the NHMF Chief Executive.

Legislative changes will take precedence over any part of this document. Significant variations will be cleared with the Treasury or the Cabinet Office as appropriate.

Nothing under this agreement shall prevent the NHMF from carrying out its legal duties under its founding legislation or under any other legislation which impacts on its functions, activities or powers.

This agreement complements the NHMF’s Financial Directions and Statement of Financial Requirements (SFR) and its provisions, unless otherwise stated in the SFR, apply to the administration of National Lottery proceeds. It should also be read alongside the NHMF’s Policy and Accounts Directions issued under the National Lottery etc. Act 1993.

10. Governance and accountability

The statutory and other duties of the NMHF derive from The National Heritage Act 1980, as amended.

The Secretary of State and other members of the DCMS ministerial team will account for the NHMF’s business in Parliament.

The respective responsibilities of the DCMS Principal Accounting Officer and Accounting Officers for NDPBs and other arm’s length bodies are set out in Chapter 3

of Managing Public Money which is sent separately to the Accounting Officers on appointment and summarised below.

The terms of appointment of the Chair and Board members are as set out in the NHMF's founding legislation or other founding documents. Where such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.

In line with the founding legislation or documents, and, where applicable, the Government's Code of Practice on Corporate Governance, the Board will consist of a Chair, together with up to 14 members that have a balance of skills and experience appropriate to directing the NHMF's business.

The Chief Executive is appointed by the Board of the NHMF. They report to the Board on the day-to-day running of the organisation and its performance against objectives. In addition to this, they will normally be the Accounting Officer for the NHMF and will have specific duties in this regard, which are set out in section 4 below.

11. DCMS Principal Accounting Officer's responsibilities

The DCMS Permanent Secretary, as Principal Accounting Officer for the DCMS family of ALBs, is accountable to Parliament for the issue of any grant-in-aid to the NHMF and is also responsible for ensuring arrangements are in place to:

- monitor the NHMF's activities on a continuous basis;
- address significant problems in the NHMF making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and NHMF objectives and activities;
- inform the NHMF of relevant government policy in a timely manner; and,
- bring concerns about the activities of the body to the full NHMF Board; requiring explanations and assurances that appropriate action has been taken.

The Head of Heritage in DCMS is the primary contact for the NHMF within the Department.

12. NHMF Accounting Officer's responsibilities

The DCMS Principal Accounting Officer will normally appoint the permanent head of the NHMF i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of the NHMF's Accounting Officer are set out in full in the Permanent Secretary's appointment letter to her. The Accounting Officer is responsible for accounting to Parliament, DCMS, the NHMF's Board and other stakeholders.

The NHMF Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and, reporting to the Board of the NHMF for the day-to-day operations and management of the NHMF and the achievement of its strategic aims. In addition, he or she should ensure that the NHMF 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 to Managing Public Money (at the time of writing).

The key accountabilities are:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with Treasury guidance and with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Governance Statement concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the NHMF are established and made widely known within the body;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on the NHMF's stewardship of public funds.

Particular responsibilities to DCMS are:

- Producing the NHMF's business plan in the light of the Department's wider strategic aims and agreed priorities;
- informing the Department of progress in helping to achieve DCMS's policy objectives as defined in the Single Departmental Plan 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 Department; 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 Department in a timely fashion; and

- to work collectively with the Department and other members of the DCMS 'family' of arm's length bodies in support of each other and the group as a whole.

The duties of the Accounting Officer with respect to the Board of the NHMF are:

- advising the Board on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the NHMF's performance compared with its aim[s] and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.8.5 and 3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

13. The NHMF Board

The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

The Board must set up an Audit Committee chaired by a Trustee or, where applicable, a non-executive member. The Audit Committee should support the Board and Accounting Officer by providing advice and assurance on risk management, governance and internal control.

Where the Board does not consider issues relating to staff remuneration itself, it shall ensure that an effective mechanism for such consideration exists, e.g. a remuneration committee or similar body performing the same purpose.

The Board is specifically responsible for:

- ensuring that the NHMF fulfils the aims and objectives set out in its founding acts, the National Heritage Act 1980 and the 1993 National Lottery Act within the policy and resources framework determined by the Secretary of State;
- determining the steps necessary to deal with any developments which are likely to affect the NHMF's ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority, within the resources framework determined by the Secretary of State and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department;
- ensuring that the Board receives and reviews regular financial information concerning the management of the NHMF, is informed in a timely manner about any concerns about the activities of the NHMF; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Board to address key financial and other risks;
- appointing a chief executive and, in consultation with the Department, set remuneration terms linked to performance against objectives for the chief executive;
- ensuring that any public functions of the NHMF are carried out in compliance with statutory duties.

14. The Chair's responsibilities

The Chair is responsible to the Secretary of State for ensuring that the NHMF fulfils its statutory purpose as set out in its founding legislation, that where appropriate the NHMF's policies are consistent with those of the Secretary of State, and that the NHMF's affairs are conducted with probity. The Chair is also responsible for good governance and for ensuring that the principles set out in the 'DCMS Guidance on Board Appraisal Processes for ALBs' are followed.

In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy for discharging its statutory duties;

- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the Department;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;
- supporting the Accounting Officer in delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

The Chair also has an obligation to ensure that:

- the performance of the Board and its individual members are reviewed annually and operate effectively and to instigate remedial action should this not be the case;
- the Board has a balance of skills appropriate to directing the NHMF business, as set out in the Government Code of Good Practice on Corporate Governance;
- Board members are fully briefed and understand their terms of appointment, duties, rights and responsibilities;
- when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of NHMF needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being considered for re-appointment;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

15. Individual Board members' responsibilities

15.1. Individual Board members should:

- comply at all times with the Board Members' Code of Practice and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on conflicts of interest and the acceptance of gifts and hospitality;
- act in good faith and in the best interests of the NHMF.

16. Publications and information strategy

The NHMF will have responsibility for contributing to the Government's system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. The NHMF will:

- provide timely and accurate information required for Parliamentary Questions, responses by Chief Executives to Parliamentary Questions and contributions to Ministerial and public correspondence. The NHMF will be responsible for responding to requests under the Freedom of Information Act within the statutory time limit;
- publish, or cause to be published, an annual report of its activities together with its audited resource accounts after the end of each financial year. The NHMF shall provide the Department with its finalised (audited) accounts in accordance with the annual guidance produced by DCMS;
- publish other information as required by the Department in the interests of transparency and as communicated from time to time.

16.1. The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FReM)
- contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

The report and accounts shall be laid in Parliament and made available on the NHMF's and HLF's website and GOV.UK, in accordance with the guidance in the FReM. The NHMF should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM.

Additionally the NHMF will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help

the public to: (i) see progress against activity which the NHMF has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.

The NHMF is named as a producer of Official Statistics under The Statistics and Registration Services Act 2007. As such, NHMF is required to adhere to the Code of Practice for Official Statistics, to have in place a lead official for statistics, and is encouraged to publish a statement of compliance on its website. The DCMS Head of Profession is available to provide further advice and guidance on statistical issues, and is responsible for ensuring the quality and professional integrity of the statistics. (Please see Annex A for links to guidance.)

Where the NHMF conducts or commissions social or economic research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. The NHMF should nominate a lead contact for research of this type and share their programme of planned and published research with the Head of the DCMS Evidence and Analysis Unit for information purposes. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

17. Internal Audit

17.1. The NHMF shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS);
- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an Audit Committee of its Board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the NHMF's Head of Internal Audit's opinion on risk management, control and governance to the sponsor department on request;
- have effective controls to prevent fraud and theft; and
- report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

DCMS's internal audit service has a right of access to all documents prepared by the NHMF internal auditor, including where the service is contracted out, for the purpose of obtaining assurance as to the NHMF's handling of public funds and effectiveness of financial controls.

18. External Audit

The Comptroller & Auditor General (C&AG) audits the NHMF annual accounts. Ministerial approval must be given before the C&AG can sign off the accounts.

In the event that the NHMF has set up and controls subsidiary companies:

- the NHMF will ask (or will have asked) HM Treasury to designate the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a GRAA Order, which will make (or will have made) the C&AG its statutory auditor. The company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

18.1. The C&AG:

- will consult the Department and the NHMF on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the NHMF;
- will share with DCMS 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 Department's responsibilities in relation to financial systems within the NHMF;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which

departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

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

19.Right of access

Subject to any overriding legal rights or obligations, the NHMF will provide access to the Department to all the NHMF's records and personnel for all purposes including, for example, operational investigations.

20.Managing Public Money and other government-wide corporate guidance and instructions

Unless agreed by the Department and (as necessary) HM Treasury, the NHMF shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to DCMS in the first instance. A list of guidance and instructions with which the NHMF should comply is in Annex A.

Once the overall budget has been allocated by DCMS and subject to any restrictions imposed by statute, the NHMF shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the NHMF shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- the NHMF shall comply with Managing Public Money 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;
- the NHMF shall provide DCMS with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require;

- The NHMF shall comply with any additional requirements notified to them by the Department, for instance on spending controls or delegated authorities.

21.Risk management

The NHMF 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 Treasury guidance. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

22.Business Planning

To operate its business effectively, the NHMF should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for three years ahead), and should include a business plan (one year ahead) for its lottery activities. The reactive nature of the Memorial Fund activities negates the need for long term financial planning on grant giving. The first year of the planning document can include the business plan incorporated as a single document.

The Department should be sent copies of each of the completed planning documents. These plans should be made available to the public, via the internet if possible.

The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent the NHMF's best estimate of its available income, including any grant or grant in aid or any other funding within the NHMF.

23.NHMF staff

Within the arrangements approved by the responsible minister the NHMF will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination.
- 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;

Any proposal by the NHMF to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office under the Civil Service Compensation Scheme or an analogous scheme, requires the prior approval of the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and will require Treasury approval. The NHMF must follow the processes set out in the DCMS “Guidance on Staff Exits”.

NHMF staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DCMS. These terms and conditions will be subject to an agreed annual pay negotiating remit and should be in line with the current Public Sector pay policy guidelines issued by the Treasury. The remit will be subject to the agreement of the DCMS. The NHMF has no delegated power to amend these terms and conditions.

The NHMF shall operate pay restraint, particularly in terms of senior salaries. The NHMF shall be subject to the terms issued each year by the Cabinet Office and the Review Body on Senior Salaries. For senior pay and bonuses above the thresholds set out in the [‘Guidance for Approval of Senior Pay’](#), the NHMF must seek approval from the Secretary of State and the Chief Secretary of the Treasury.

The NHMF is subject to the [Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees](#), and any guidance that may supersede it. The NHMF shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices. Senior staff with significant financial responsibility must be on the payroll, unless there are exceptional temporary circumstances, which must be agreed by the NHMF Accounting Officer and not exceed a period of six months. The NHMF is also responsible for ensuring that any temporary off-payroll workers employed are meeting their tax obligations.

24.Review

The NHMF may be reviewed periodically, by DCMS in accordance with:

- the business needs of DCMS and of the NHMF
- Cabinet Office guidance

25. Arrangements in the event that an Arm's Length Body (ALB) is wound up

In the event of the decision being made to wind up the NHMF, the NHMF will be required to wind-up its affairs [as soon as practicable / in accordance with the timetable agreed with the Department] and to put in place a plan for its closure. This will include arrangements for the handover of its residual business and assets and liabilities.

The draft wind-up plan should be forwarded to DCMS in accordance with the agreed timetable.

DCMS shall put in place arrangements to ensure that, in the event that the NHMF is wound up, this shall be done in an orderly manner. In particular DCMS should ensure that were the NHMF to be wound up, the assets and liabilities of the body are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.) To this end, the Department, in conjunction with the NHMF, shall:

- ensure that procedures are in place in the NHMF 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 NHMF's assets and liabilities.
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits;
- arrange for the most appropriate person to sign the closing accounts. In the event that another 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 Permanent Secretary should sign.

The NHMF shall provide the Department with full details of all agreements where the NHMF 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 NHMF.

26. Budgets and Grant-in-Aid

Expenditure against resource and capital budgets must be recorded and monitored by the NHMF in accordance with the Treasury's Consolidated Budgeting Guidance (or its successor). These are the net expenditure limits for the NHMF in each year - including any use of reserves for which budgetary cover has been given - and must be adhered to. Net expenditure above these limits may not be committed until or unless a revised budget has been agreed in writing by the Department.

The NHMF may not breach the component parts of the capital and resource budgets. Approval must be sought in advance and in writing if the NHMF wishes to spend more in one category and less in another. In all these matters, the Department may be required to refer a decision to the Treasury before granting approval.

Grant in Aid is the amount payable by the Department to the NHMF in each year and is independent of the budget figures, although derived from them. It does not include depreciation or any budgetary cover allocated by the Department for the NHMF's use of its own reserves.

27. Grant-in-aid and any ring-fenced grants

Both the grant-in-aid provided by the Department and the overall budgets set by it for the year in question will be voted in the Department's Supply Estimates and be subject to Parliamentary control.

In accordance with the 1980 Act, the grant in aid will be paid at the start of the financial year on the basis of a written application. The NHMF will comply with the general principle, that there is no payment in advance of need.

As a minimum, the NHMF shall continue to provide the Department with monthly information via its grant in aid claims that will enable the Department satisfactorily to monitor:

- o the NHMF's cash management;
- o its draw-down of grant-in-aid;
- o forecast outturn;
- o other data required for the Treasury's Combined On-line Information System (COINS) or its successor.

28.The Endowment Fund

Under Section 6 of the National Heritage Act 1980, any portion of grant-in-aid not immediately required for any other purposes may be invested by the trustees.

The Trustees shall review the performance of the appointed investment managers regularly and put contracts out to tender at least every seven years.

The NHMF may retain any income generated by the Endowment Fund for reinvestment or spending in connection with its objectives.

29.Reporting performance to the Department

The NHMF shall operate management information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The NHMF's performance shall be reviewed by the Department periodically.

30.Delegated authorities

The NHMF shall obtain the Department'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 ALB's annual budget as approved by the Department;
- 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 Department;
- redirecting funding provided by the Department for one purpose to other purposes;
- 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; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

31. Capital projects

All capital projects, whether already underway or beginning during this period, are subject to the Department's investment appraisal processes. Any capital expenditure that exceeds the NHMF's delegated capital limit must be referred to the DCMS Finance Committee for approval at three stages of development, as set out in guidance issued by the Department. The figure used in calculating whether the costs exceed the delegated limit is the lifetime cost of the capital project, including non-exchequer funding and any increased running costs ensuing from it.

Where projects are reliant on donations or sponsorship that have yet to be confirmed, demonstration of a staggered approach to completion (i.e. that takes account of the funds secured to date before proceeding with each stage) will be more likely to receive approval to proceed.

When considering the case for capital projects, the NHMF is expected to use the Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case for evaluating a capital project regardless of whether the project requires DCMS Finance Committee approval. The Department reserves the right to receive copies of business cases for projects below the NHMF's delegated limit or elements of it, such as the Net Present Value calculation.

32. Compliance with the Equality Act 2010

The NHMF is subject to the public sector equality duty in section 149 of the Equality Act 2010, except in respect of functions relating to the provision of a content service (within the meaning given by section 32(7) of the Communications Act 2003), requiring the NHMF to have due regard to the need to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- Advance equality of opportunity between people who share a relevant protected characteristic (age; disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation) and people who do not; and
- Foster good relations between people who share a relevant protected characteristic and people who do not

33. Cyber Security

As part of its approach to risk management and information assurance the NHMF should ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be proportionate to the NHMF's size and the level of risk it carries in terms of cyber vulnerability. A range of relevant Government advice and guidance can be found at <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>.

As a minimum, the NHMF should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the Cyber Essentials scheme. Further details of this scheme can be found at www.cyberstreetwise.co.uk/cyberessentials. Departmental officials can offer further guidance and support.

Signed by:

Secretary of State for Culture, Media and Sport

Date:

Chair of The National Heritage Memorial Fund Date:

Accounting Officer of The National Heritage Memorial Fund Date:

Part D: Compliance with guidance and instructions

The NHMF shall be aware of and, where necessary, comply with the following general guidance documents and instructions:

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;
- http://www.hm-treasury.gov.uk/psr_governance_corporate.htm
- Managing Public Money (MPM);
- http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- Consolidated Budgeting Guidance (issued annually);
- Government Internal Audit Standards;
- <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit Committee Handbook;
- http://www.hm-treasury.gov.uk/audit_committee_handbook.htm
- Management of Risk: Principles and Concepts;
- http://www.hm-treasury.gov.uk/d/orange_book.pdf
- Government Financial Reporting Manual (FReM);
- http://www.hm-treasury.gov.uk/frem_index.htm
- If applicable, the Charities SORP;
- http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfront.aspx
- Fees and Charges Guide, Chapter 6 of MPM;
- http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf
- Banking guidance, annex 5.6 of MPM;
- http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf
- Relevant Dear Accounting Officer letters;
- <https://www.gov.uk/government/collections/dao-letters>
- The Parliamentary Ombudsman's Principles of Good Administration;
- <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions;
- <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Chapter 5 (Annex A) of Public Bodies: A Guide for Departments (Cabinet Office);
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;

- <https://www.gov.uk/government/collections/whole-of-government-accounts>
- Guidance on major projects issues by the Major Projects Authority;
- <http://www.cabinetoffice.gov.uk/content/major-projects-authority>
- The Statistics and Registration Services Act 2007;
<http://www.legislation.gov.uk/ukpga/2007/18/contents>
- The Code of Practice for Official Statistics;
- https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-codeofpracticeforofficialstatisticsjanuary2009_tcm97-25306.pdf
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418726/PPN_08-15_Tax_arrangements_for_public_appointees.pdf
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the ALB relevant to the [ALB].