

**NATIONAL MUSEUM**  
**of the**  
**ROYAL NAVY**  
**(NMRN)**  
**FRAMEWORK DOCUMENT**

## **INTRODUCTION**

This framework document has been drawn up by the Ministry of Defence (MOD) in consultation with the National Museum of the Royal Navy (NMRN). This document sets out the framework within which the NMRN will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by the MOD and the NMRN. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the NMRN website.

Any questions regarding the interpretation of this document shall be resolved by MOD in consultation with the NMRN and, where necessary, other government departments including the Treasury and/or the Cabinet Office.

## **STATUS OF THE NMRN**

1. Further to the outcome of the recent Triennial Review of the three Service Museums<sup>1</sup> the NMRN is an Executive Non-Departmental Public Body (NDPB) sponsored by the Ministry of Defence (MOD). NMRN's purpose, vision and strategic priorities are set out below.

1.1 The NMRN is a company limited by guarantee (company no. 6699696) established by a Memorandum of Association, registered at Companies House and subject to the Companies Act 2006 (as amended).

1.2 The NMRN is also a registered charity (registration no. 1126283) regulated by the Charity Commission and as such subject to the Charities Act 2011, the Charities (Protection and Social Investment) Act 2016, the Charities (Accounts and Reports) Regulations and the Statement of Recommended Practice.

## **PURPOSE OF THE MUSEUM**

2. The charitable objectives of the NMRN, as defined within its Articles of Association are:

- The promotion of education and learning of the Naval Service and Auxiliaries personnel and other members of the public about the history, deeds and traditions of those services;
- The promotion and enhancement of military efficiency by assisting recruitment and retention and fostering the '*esprit de corps*' of the men and women who are serving in the Naval Service or Auxiliaries; and
- The commemoration and remembrance of those members of the Naval Service and Auxiliaries who have died while on active service and the encouragement of public recognition of the sacrifice made by such persons.

## **THE MUSEUM'S VISION**

2.1 The vision of the NMRN is to be the world's most inspiring naval museum. Its mission is inspiring learning, enjoyment and engagement with the story of the Royal Navy, and its impact in shaping the modern world.

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<sup>1</sup> Review of the National Museum of the Royal Navy, the National Army Museum and the Royal Air Force Museum published February 2017.

The goal is to promote the public understanding of the Royal Navy past, present and future. The NMRN is one of the few headquartered outside of London, acquiring key sites also outside the capital, and enabling people to learn, enjoy and engage with the Naval story in the regions. This will be achieved by:

- Collecting, studying and interpreting objects, images and records which help document and communicate the continuing story of the Royal Navy and the people serving in it from the earliest times to the present day;
- Offering stimulating and engaging learning opportunities for people of all ages enabling them to explore the rich collections and expertise held by the museum;
- Providing visitors with the opportunity to enjoy a great day out, experiencing and absorbing the ethos and spirit of the Royal Navy; and
- Making the museum collections as widely accessible as possible through the development of the displays and special exhibitions as well as developing a world-class virtual presence.

## **STRATEGIC PRIORITIES**

2.2 The NMRN's strategic priorities, as reported in their 2017-2022 Strategy, are to:

- Building alliances to promote the wider understanding of the Royal Navy;
- Recording and interpreting and expressing the traditions, values, behaviours and ethos that make the culture of the Royal Navy unique;
- Conserving, collecting, studying and interpreting objects, archives, ships and sites to bring to life the story of the Royal Navy;
- Being socially, intellectually and physically as accessible as possible;
- Developing a stimulating and engaging learning offer; and
- Providing extraordinary and enriching days out.

This requires that we:

- Value and empower our people
- Continuously improve to ensure our organisation is sustainable, outward looking and commercially-minded; and
- Ensure we are driven by a culture of enterprise and adventure

## **GOVERNANCE AND ACCOUNTABILITY**

### **3. The NMRN's Legal Origins of Power and Duties**

3.1 As NMRN is a charitable company limited by guarantee the NMRN's company directors are also the charity trustees (the "NMRN Board") and the Articles of Association provide that the members of the NMRN Board are also by virtue of that role admitted as the

Members of NMRN and as such have the powers and obligations of members as set out in the Articles and in company law.

#### **4. Overall Aims**

4.1 Navy Command TLB as the MOD sponsor recognises the mission of the NMRN. This mission is entirely consonant with the charitable objects of the NMRN:

- a) For our visitors, we make our collections and the Naval Services and Auxiliaries story relevant and stimulating.
- b) For current and former Naval Services and Auxiliaries personnel and their families, we preserve honour and share the stories of their service.
- c) For our nation, we help people to understand the impact of the Naval Services and Auxiliaries in the world.

#### **5. Ministerial Responsibility**

5.1 When the NMRN was established in 2008 it became the sole recipient of Grant in Aid as an Executive Non Departmental Public Body. During the period 2009 to 2011 the Royal Navy Museum, Royal Marines Museum, Fleet Air Arm Museum, and Royal Naval Submarine Museum joined the NMRN Group as legally distinct subsidiary charities. These 4 museums were created either as charitable trusts or as, in the case of the Royal Naval Museum, by a Scheme of the Commission. All 4 museums were designated by Statutory Instrument, Museums and Galleries, the Armed Forces Museum (Designation of Institutions) under the National Heritage Act 1983 to ensure that ex Civil Servants employed in the museums remained within the Principal Civil Service Pension Scheme (PCSPS). The NMRN does not require Ministerial authority for the appointment of the NMRN Board (including the Chairman of the Trustees) or its executive staff, including the Director General. This is different from the National Army Museum and the RAF Museum who have different constitutional arrangements, where both have to make Ministerial appointments.

5.2 The NMRN is the only recipient of Grant in Aid. It is the holding company of other charities and trading entities within the NMRN Group. The NMRN Group consists of NMRN itself as the parent charity and by virtue of its controlling interest, eight Naval Service Museums: the Royal Naval Museum, the Royal Marines Museum, Fleet Air Arm Museum, Royal Naval Submarine Museum, Explosion! The Museum of Naval Firepower, HMS VICTORY, HMS CAROLINE from 20 October 2015 and NMRN Hartlepool (including HMS TRINCOMALEE) from February 2016. Since December 2014, the NMRN has also operated Portsmouth Historic Dockyard. As of 1 April 2017 the Warrior Preservation Trust became wholly owned by NMRN. The NMRN Group also includes its operating company, NMRN Operations and its trading arm, NMRN Trading.

#### **6. MOD's Accounting Officer's Specific Accountabilities and Responsibilities as Principal Accounting Officer (PAO)**

6.1 The Principal Accounting Officer (PAO) of the MOD has designated the Chief Executive Officer (the "Director General") as the NMRN's Accounting Officer. (The respective responsibilities of the PAO and Accounting Officers for Museums are set out in Managing Public Money which is sent separately to the Accounting Officer on appointment).

6.2 The PAO is accountable to Parliament for the issue of any Grant In Aid to the NMRN. The PAO is also responsible for advising the Secretary of State for Defence (SofS):

- a) On an appropriate framework of objectives and targets, relating to Grant in Aid for the NMRN in the light of the department's wider strategic aims and priorities;
- b) On an appropriate budget for the NMRN in the light of the MOD's overall public expenditure priorities; and
- c) How well the NMRN is achieving its strategic objectives and whether it is delivering value for money.

6.3 The PAO is also responsible for ensuring arrangements are in place in order to:

- a) Monitor the NMRN's activities;
- b) Periodically carry out an assessment of the risks, relating to the Grant in Aid; and
- c) Inform the NMRN of relevant government policy in a timely manner; and
- d) If appropriate draw any concerns arising to the attention of the NMRN Trustee Board and Defence Board.

6.4 Navy Command Headquarters, based in Portsmouth, Hampshire, is the primary contact for the NMRN. They are the main source of advice to SofS in respect of the NMRN. They also support the PAO on his or her responsibilities towards the NMRN in relation to the Grant in Aid.

## **7. Responsibilities of the NMRN's Director General NMRN's as Accounting Officer**

### **General**

7.1 The NMRN Director General NMRN as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the NMRN. In addition, he or she should ensure that the NMRN 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 Managing Public Money.

7.2 The accountabilities include:

- a) 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 any directions issued by the Secretary of State;
- b) Preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- c) Ensuring that effective procedures for handling complaints about the NMRN are established and made widely known within the NMRN;

- d) Acting in accordance with the terms of this Framework, Managing Public Money and other instructions and guidance issued from time to time by the MOD, the Treasury and the Cabinet Office provided that doing so does not cause a breach of charity law or company law applicable to the NMRN; and
- e) Giving evidence, normally with the PAO, when summoned before the Public Accounts Committee (PAC) on the NMRN's stewardship of public funds.

7.3 In the event that the NMRN Director General receives instructions in relation to the Grant In Aid which he or she regards as conflicting with this Framework, he or she should make appropriate written representation to the Chairman of the Board Of Trustees (with a copy to MOD). This representation should include:

- a) The objection to the instruction;
- b) The reasons for the objection; and
- c) The duty to notify the Comptroller and Auditor General should the advice be overruled.

7.4 The NMRN Director General may delegate day-to-day duties to an executive Director of Finance or equivalent in accordance with the NMRN Scheme of Delegation.

### **Responsibilities to the MOD**

7.5 Particular responsibilities to the MOD include:

- a) Sharing with the MOD, the NMRN's independent strategy, corporate and business plans and informing the Department of progress and demonstrating how resources are being used to achieve those objectives;
- b) Ensuring that timely forecasts and monitoring information on performance and finance are provided to the MOD; that the MOD is notified promptly if Grant in Aid related over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the MOD in a timely fashion; and
- c) Provision of a governance statement to the MOD, which includes copies of the NMRN Accounts and the Audit Report from the National Audit Office for the appropriate Financial Year. The governance statement should provide an overall assurance level and confirm the adequacy of assurance arrangements within their area of responsibility. The governance statement should also focus on significant failures in arrangements and a statement of the overall effectiveness of the arrangements.

### **Responsibilities to the NMRN Board**

7.6 The NMRN Director General is responsible for:

- a) Advising the Board on the discharge of the NMRN's responsibilities as set out in this Framework, in the founding legislation and in any other relevant

instructions and guidance that may be issued from time to time; advising the Board on the NMRN's performance compared with its aims and objectives;

- b) Ensuring that financial considerations are taken fully into account by the NMRN Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- c) Taking action as set out in Managing Public Money if the NMRN Board, or its Chair, is contemplating a course of action involving the use of the Grant in Aid which the NMRN Director General considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

## **8. The Responsibilities of the NMRN's Board**

8.1 The NMRN Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The NMRN Board has established an Audit and Governance Committee chaired by a member of the NMRN Board with the relevant expertise for this role. The Audit and Governance Committee shall advise the NMRN Board on matters within their remit and shall report directly to the NMRN Board. The NMRN Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

8.2 The NMRN Board is specifically responsible for:

- a) Establishing and taking forward the strategic aims and charitable objectives of the NMRN consistent with this Framework Document and charity law;
- b) Ensuring that the MOD is aware of any risks of changes which are likely to impact on the strategic direction of the NMRN Board or on the attainability of its objects and determining the steps needed to deal with such changes;
- c) Ensuring that any statutory or administrative requirements for the use of public funds are complied with;
  - 1) That the NMRN Board operates within the law and any delegated authority agreed with the MOD, and in accordance with any other conditions relating to the use of public funds; and
  - 2) That, in reaching decisions, the NMRN Board takes into account guidance issued by the MOD;
    - i. Ensuring that the NMRN Board receives and reviews regular financial information concerning the management of the NMRN;
    - ii. Is informed in a timely manner about any concerns about the activities of the NMRN; and
    - iii. Provides positive assurance to the department that appropriate action has been taken on such concerns.

- d) Demonstrating high standards of corporate governance at all times, including by using an Audit and Governance Committee using to help the NMRN Board to address key financial and other risks; and
- e) Appointing the NMRN Director General and, where appropriate in consultation with the MOD, set performance objectives and remuneration terms linked to these objectives for the NMRN Director General which gives due weight to the proper management and utilization of public resources.

### **The NMRN Chair's Personal Responsibilities**

8.3 The NMRN Chair is appointed as set out in the NMRN's Articles of Association. Communications between the NMRN Board and the Secretary of State should normally be through the NMRN Chair. The NMRN Board is responsible for ensuring that NMRN charitable objects are met and that its affairs are conducted with probity and consideration is given to any direction provided by the Permanent Secretary for the Ministry of Defence in his or her's letter of designation. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the NMRN.

8.4 In addition, the NMRN Chair has the following leadership responsibilities:

- a) Leading the formulation of the NMRN Board's strategy;
- b) Ensuring that the NMRN Board, in reaching decisions, takes proper account of guidance provided by the Charity Commission and in relation to the Grant in Aid any guidance provided by the responsible minister or the MOD;
- c) Promoting the efficient and effective use of staff and other resources;
- d) Delivering high standards of regularity and propriety; and
- e) Representing the views of the NMRN Board to the general public.

8.5 The NMRN Chair also has an obligation to ensure that:

- a) The work of the NMRN Board and the NMRN Board members are reviewed and are working effectively;
- b) The NMRN Board has a balance of skills appropriate to directing the NMRN's business, as set out in the Charity Governance Code;
- c) NMRN Board members are fully briefed on their terms of appointment, duties, rights and responsibilities;
- d) All NMRN Board members receive appropriate training on charity and company law, financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- e) The NMRN Board assesses the performance of individual NMRN Board members who seek re-appointment, consistent with the NMRN's Articles of Association; and



- f) The NMRN Board's Terms of Reference set out the role and responsibilities of the NMRN Board consistent with Charity and Company law and takes account of the Charity Governance Code and is consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

### **Individual NMRN Board Members' Responsibilities**

8.6 Individual NMRN Board members should:

- a) Comply at all times with NMRN's Articles of Association, which contains Articles dealing with conflicts of interest and loyalty and with the rules relating to the use of public funds;
- b) Not misuse information gained in the course of their public service for personal gain or for political profit, nor seeks to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- c) Comply with the NMRN Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- d) Act in good faith and in the best interests of the NMRN.

### **9. Annual Reports and Accounts**

9.1 The NMRN Board must publish an annual report of its activities together with its audited accounts after the end of each financial year. The NMRN shall provide to the MOD its draft finalised (audited) accounts in accordance with the MOD's timeline requirements provided that the MOD's timeline is consistent with the NMRN's reporting and filing obligations under Charity Law and Company Law.

9.2 The annual report must:

- a) Cover any corporate, subsidiary or joint ventures under its control;
- b) Comply with the Treasury's Financial Reporting Manual (FReM);
- c) Outline main activities and performance during the previous financial year and set out in summary form forward plans; and
- d) Comply with Charity Law and Company Law.

9.3 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the NMRN's website, in accordance with the FReM. A draft of the report should be submitted to the department before the proposed laying 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.

### **10. Internal Audit**

10.1 The NMRN shall:

- a) Establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS) ensuring that the Defence Internal Audit (DIA) MOD's internal audit team have complete access to all relevant records;
- b) Set up an Audit Committee of its Board in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook;
- c) Forward the audit strategy, periodic audit plans and annual audit report, including the NMRN's Internal opinion on risk management, control and governance as soon as possible to the MOD; and
- d) Keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the NMRN and notify the MOD of any unusual or major incidents as soon as possible.

## 11. External Audit

11.1 The Comptroller & Auditor General (C&AG) audits the NMRN's annual accounts and provides his or her certificate and report on the accounts under the Government Resources and Accounts Act 2000. In the event that the NMRN has set up and controls subsidiary companies, the NMRN will ensure that the C&AG is provided with all necessary information of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts to enable the C&AG to audit the consolidated accounts.

### 11.2 The C&AG:

- a) Will direct the NAO to undertake the audit(s) on his or her behalf;
- b) Has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government and Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the NMRN;
- c) Will share with the MOD information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the MOD's responsibilities in relation to financial systems within the NMRN; and
- d) 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.

11.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the NMRN has used the Grant in Aid 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 NMRN shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by NMRN and contractors and sub-contractors who are paid from GIA funds, 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.

11.4 The NMRN shall pass the audited accounts to the Secretary of State for information and shall lay the accounts together with C&AG's report before Parliament.

### **Right of Access**

11.5 Subject to any overriding legal rights or obligations the MOD (on provision of at least 14 days' notice) has the right of access to all NMRN records and personnel for any reasonable purpose relating to the Grant in Aid receive by the NMRN.

### **Management and Financial Responsibilities**

#### **12 Managing Public Money and Other Government-wide Corporate Guidance and Instructions**

12.1 Unless agreed by the MOD and, as necessary, HM Treasury, and provided that the requirements are not in breach of charity law and do not place the trustees in breach of their duties as charity trustees the NMRN shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to Navy Command in MOD in the first instance. A list of guidance and instructions with which the NMRN should comply is at Appendix 1.

12.2 Once the Grant In Aid has been approved by the MOD, the NMRN shall have authority to incur expenditure approved in the budget without further reference to the MOD, on the following conditions:

- a) The NMRN shall comply with the delegations set out in Section 19. These delegations shall not be altered without the prior agreement of the sponsor department;
- b) The NMRN shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- c) 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 for new schemes not previously agreed;
- d) The NMRN shall provide the MOD with such information about its operations, performance individual projects or other expenditure funded using the Grant in Aid as the MOD may reasonably require; and
- e) Notwithstanding the above the NMRN has the freedom to operate within the operational freedoms granted to MOD as reflected in Annex A.

#### **13 Corporate Governance Board Appointments - the Chair and Board Members**

13.1 The NMRN Chair and NMRN Board are appointed as set out in the NMRN's Articles of Association. Appointments to the NMRN Board will, if relevant, follow the guidelines established by the Office of the Commissioner for Public Appointments.

## **Board Appointments – The Director General**

13.2 The Director General is appointed by the NMRN Board.

### **Composition of the Board**

13.3 The procedures for the appointment and role of the NMRN Board are set out in its Articles of Association and the NMRN Board consists of not less than 4 and not more than 16 Board Members, one of whom is the Chair. The Charity Commission requires that the NMRN Board consists of independent non-executive directors with a balance of skills and experience appropriate to directing the NMRN's business. Part of the NMRN Board's role is to collectively constructively challenge and support the NMRN's executive staff (including the Director General) in their day to day management of the Charity.

## **14 Risk Management**

14.1 The NMRN shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: Principles and Concepts. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling 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 with.

## **15. Strategic Corporate and Business Plans**

15.1 The NMRN's Strategic Plan covers a 5-year period. The current Strategic Plan is for the period 2017-2022 and is shared with the Navy Command HQ. The NMRN also develops a Corporate Plan covering at least three years ahead. The NMRN shall share with the MOD the issues to be addressed in the Corporate Plan and the timetable for its preparation.

15.2 The first year of the Corporate Plan, amplified as necessary, shall form the Business Plan. The Business Plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to the budget so that resources allocated to achieve specific objectives can readily be identified. Subject to any commercial considerations the Corporate and Business Plans should be published by the NMRN on its website and separately be made available to staff.

15.3 The following key matters should be included in the plans:

- a) Key objectives and associated key performance targets for forward years and the strategy for achieving those objectives;
- b) Key non-financial performance targets;
- c) A review of performance in the preceding financial year, together with comparable outturns for the previous year and an estimate of performance in the current year;
- d) Alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and

- e) Other matters as agreed by the department and the NMRN.

## 16 Budgeting Procedures

16.1 Each year, in light of the draft Corporate Plan, the MOD will send to the NMRN by the end of October each year:

- a) A formal statement of the Grant In Aid allocated by the MOD in the light of competing priorities across the MOD and of any forecast income, including Voted Loan funds, etc, approved by the MOD and a forecast of the anticipated budgetary provision for the next three financial years;
- b) A statement of any planned change in policies affecting the NMRN; while
- c) Recognising that the Grant in Aid profile is subject to agreement via the Department's annual planning round. Should the need arise the NMRN will be informed of any proposed changes to the financial profile at the earliest opportunity.

16.2 The approved annual Business Plan will take account both of approved funding provision and any forecast receipts and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

## 17 Grant In Aid and Any Ring-fenced Grants

17.1 Any Grant In Aid provided by the department, under the authority of the Heritage Act 1983, for the year in question will be voted in the MOD's Supply Estimate and be subject to Parliamentary control.

17.2 A Grant In Aid is provided to the NMRN towards the costs of tasks covered in the NMRN's Corporate Plan and under the payment and reporting arrangements at paragraphs 17.4, 17.5, 22.10 and 24 of this Framework in three parts: the first is a contribution towards the running costs of the NMRN; the second is for the purchase of artefacts; and the third is any contribution towards statutory minimum redundancy provision and the winding-up costs:

- a) **The running cost element** may be used for any purpose apart from the following: new build capital projects; fund-raising activities; investment for the purpose of generating additional funds; making loans or gifts; and development of business activities; but including staff costs and commercial insurance.
- b) **The artefacts element** may be carried over from one year to another to enable the purchase of larger items and should be placed in an interest bearing account to maintain the value of the funding, so far as possible.
- c) **The statutory redundancy and winding up costs element** should be limited to this purpose only and should be placed in an interest bearing account to cover inflation, so far as possible.

17.3 In any case of doubt on the use to which the Grant In Aid may be put, MOD should be consulted. The Grant In Aid allocation is dependent on the NMRN demonstrating performance against agreed aims and objectives. The NMRN should seek prior approval from MOD before using the Grant in Aid to undertake any long term financial commitments that might fall outside the terms of this Framework. MOD will require an annual return from the NMRN in respect of any outstanding related liabilities.

17.4 The Grant In Aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The NMRN will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from Grant In Aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the NMRN whilst adhering to Charity Commission guidance on the maintenance of adequate levels of reserves. Subject to approval by Parliament of the relevant Estimates provision, where Grant In Aid is delayed to avoid excess cash balances at the year-end, the MOD will make available in the next financial year any such Grant In Aid that is required to meet any liabilities at the year end, such as creditors.

17.5 The Grant In Aid allocation not claimed by the NMRN by the end of the financial year shall lapse. Any Grant In Aid already issued but not spent by the NMRN may be carried over for use within the next Financial Year, providing that the overall amount of Grant In Aid funds does not exceed 2% of the NMRN's total Grant In Aid. Such carry forward may be taken into account in reducing the following year's Grant In Aid, where appropriate. If not carried forward, the balance of any Grant In Aid not spent shall be repaid to the MOD. This carry-forward condition applies to the Grant in Aid element of the NMRN's funds only. It does not apply to those funds self-generated by the NMRN over and above the Grant in Aid provided by the Department.

## **18 Reporting Performance to the MOD**

18.1 The NMRN 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 NMRN shall inform the MOD of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver, where applicable, the SofS policies, and the achievement of key objectives regularly. The NMRN's performance shall be formally reviewed by the MOD twice yearly.

### **Providing Monitoring Information to the MOD**

18.2 As a minimum, the NMRN shall provide the MOD with information on a monthly basis that will enable the MOD to satisfactorily monitor the NMRN's cash management. Specifically:

- a) Its draw-down of Grant In Aid.
- b) Forecast outturn by resource headings.

- c) Other data required for the Online System for Central Accounting and Reporting (OSCAR).

### **Museum/MOD Working Level Liaison Arrangements**

18.3 Officials of Navy Command in the MOD will liaise regularly with NMRN officials to review financial performance against plans, achievement against targets and expenditure against its Operating Costs, Pay Costs and Capital Exhibits allocations. Navy Command will provide appropriate representation at Trustee Meetings. Navy Command representatives will also attend the NMRN Operations Board meetings and, regularly, take the opportunity to explain wider policy developments that might have an impact on the NMRN.

### **19 Delegated Authorities**

19.1 With the exception of the provisions listed below and within the Museums' freedoms, the NMRN has no other delegated authorities. The NMRN has the authority to vire funds up to £100,000 between cost headings without recourse to the MOD provided that this does not breach the terms of paragraph 17.2 or result in any increase to the Grant In Aid not previously agreed by the MOD. The NMRN shall obtain the MOD's prior written approval before:

- a) Incurring expenditure to be funded from the Grant in Aid for any purpose that is or might be considered novel or contentious; and
- b) Carrying out policies in relation to the Grant in Aid that goes against the principles, rules, guidance and advice in Managing Public Money.

19.2 With respect to any and all applications made against the Loans Fund:

- a) The NMRN will provide MOD with a written application for borrowing needs for the financial year prior to the Main Estimate. These applications will be subject to MOD's borrowing appraisal processes.
- b) When considering the case for loan applications, the NMRN is expected to use the Borrowing Guidance provided by MOD; and
- c) The NMRN must adhere to the conditions set out in the Borrowing Agreement for any loans received and ensure prompt repayment of principal and interest as set out in the Borrowing agreement. Any requests to vary the terms of the loan must be made to the Department.

### **20 Insurance**

20.1 The NMRN is responsible for its own insurance. The Trustees will wish to make a decision on whether or not to take out commercial insurance on the basis of a formal risk assessment in accordance with current legislation.

### **21 Management and Disposal of Assets**

21.1 The NMRN is accountable to MOD for the safe keeping of all assets obtained through the Grant In Aid, including maintenance of inventories or other records, as agreed with the MOD.

21.2 Subject to Charity Law the NMRN shall at all times seek to use its assets in the most cost efficient manner and dispose of those assets that are surplus to its requirement. The NMRN shall notify the MOD should the disposal of any asset purchased using Grant in Aid be likely to give rise to public concern or which may generate adverse publicity.

21.3 Where assets, procured from Grant In Aid, are no longer required and are sold the NMRN may retain the sale value, providing that this is used for the acquisition of other assets and the value does not exceed £100K. Where the value exceeds £100K the NMRN must consult the MOD before taking disposal action. In such cases, MOD authority is required for the reinvestment of funds generated by disposal. In the case of collection assets acquired using Grant in Aid where the NMRN deems that they are no longer required, all disposal will be conducted in accordance with the NMRN's Acquisition and Disposals Policy, on which the MOD will be consulted.

## 22 NMRN Staff

### Responsibilities for NMRN Staff

22.1 Within the arrangements approved by the MOD the NMRN will have responsibility for the recruitment, retention and motivation of its staff. The responsibilities toward its staff are to ensure that:

- a) 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 on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- b) 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; the performance of its staff at all levels is satisfactorily appraised and the NMRN performance measurement systems are reviewed from time to time;
- c) Its staff is encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NMRN's objectives;
- d) Proper consultation with staff takes place on key issues affecting them;
- e) Adequate grievance and disciplinary procedures are in place;
- f) Whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and
- g) A code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies and Staff costs.

22.2 The NMRN shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

22.3 The NMRN's staff is subject to levels of remuneration and terms and conditions of service (including pensions) which should ideally not be more favourable than those in MOD, but at all times appropriate in the view of the NMRN Board.



22.4 If Civil Service Terms and Conditions of Service apply to the rates of pay and non-pay allowances paid to the staff and to any other party entitled to payment in respect of travel expenses or other allowances, payment shall be made in accordance with the Civil Service Management Code except where prior approval has been given by the MOD to vary such rates.

22.5 Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the department together with subsequent amendments.

22.6 Any performance-related pay scheme that the NMRN operates shall form part of the annual aggregate pay related Grant In Aid budget approved by the department.

22.7 The travel expenses of NMRN Board members shall be tied to the rates allowed to Senior staff of the NMRN. Reasonable actual costs shall be reimbursed.

22.8 The NMRN shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

### **Pensions, Redundancy and Compensation**

22.9 NMRN staff shall normally be eligible for a pension provided by its own scheme. Staff may opt out of the Group Personal Pension Plan provided by the NMRN, but the employer's contributions to any other personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.

22.10 Any proposal by the NMRN to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the MOD. Proposals on severance must comply with the rules contained in the Managing Public Money document.

### **23 Review of NMRN's Status (and Winding-up Arrangements)**

23.1 The NMRN will be reviewed every 5 years. The date of the next review will be in 2020.

23.2 In the event that the NMRN is subject to winding up orders the MOD will ensure that MOD investment, assets and liabilities are either protected or are passed to a successor organisation in accordance with the NMRN's Articles of Association and its compliance with Charity Law and Company Law. This will ensure that the collections are safeguarded for public benefit. In the event that there is no successor organisation the assets and liabilities should revert to the MOD.

### **24 NMRN Board Discretion**

24.1 For the avoidance of doubt, nothing in this Framework Document will operate to fetter the discretion of (1) the NMRN Board in their management of the NMRN in accordance with their responsibilities as Charity trustees and company directors, or (2) the Boards of any subsidiary charities or companies within the NMRN Group in their management of their respective entities in accordance with their responsibilities in law.


### **Duration**

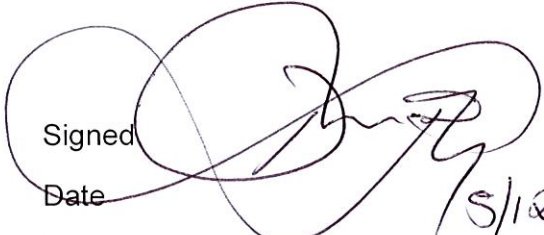
25 This Framework shall be reviewed by the MOD, with the assistance of the NMRN, at five yearly intervals, when the NMRN appoints a new Director General, or earlier if necessary. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

**Effective Date**

26 This Framework will take effect from the date signed below, remaining in effect for five years from the date of signature unless a new Director General is appointed, either party requests termination or amendment before that date or the results of the Department's quinquennial review requires a further review or amendment. This Framework may be terminated by either party following 12 months' notice, unless both parties agree a shorter timescale.

26.1 This Framework is subject to all relevant Treasury Policy and Guidance so far as this is compatible with the charitable status of the NMRN.

Signed   
Date 6/dic/19  
(On behalf of the MOD)

Signed   
Date 5/12/19  
(On behalf of the NMRN)

Annex:

A. Service Museums: Application of Cultural Sector Freedoms

Appendix:

1. Government-wide Corporate Guidance and Instructions

## **SERVICE MUSEUMS: APPLICATION OF CULTURAL SECTOR FREEDOMS**

As announced in the 2015 Spending Review, the National Museum of the Royal Navy (NMRN), the National Army Museums (NAM) and the Royal Air Force Museum have been granted a number of freedoms from controls and arrangements applicable to most public bodies, including the core MOD.

Full details of the freedoms are provided below. Most notably, the freedoms provide a facility for the museums to apply for loans from the Reserve and removal of the 1% limit on pay awards. Both actions require appropriate scrutiny and approval.

Approved loans are paid through the MOD Estimates to the recipient museums. Full guidance on the process for loan applications is promulgated by D Fin Strat, Finance Policy.

### **DETAIL OF THE FREEDOMS**

#### **2013 Spending Review**

In the 2013 Spending Round, the Chancellor announced a package of operational and financial freedoms for the DCMS-funded museums, major museums in Scotland, Northern Ireland and Wales, and Kew Botanical Gardens: initially on a four year pilot basis. The freedoms were not at this point applied to the three Service Museums.

The elements of the package granted immediately or already in place were:

- Exemption from central marketing and advertising controls;
- Two day turnaround from Cabinet Office on redundancy and restructuring applications;
- Commitment from HMT to respond to capital business cases within 28 days and the provision of training to ensure business cases are proportionate and cost-effective;
- Pre-application guidance from HMT to reduce the administrative burden from severance business cases and to achieve quicker decisions.

New Management Agreements signed in 2014 subsequently implemented the following additional freedoms:

- Permission to spend previously generated reserves;
- Removal of the 1% limit on pay awards;
- The flexibility to opt in or out of central procurement;
- Authorisation to invest non-Grant In Aid income;
- Cover for exceptional depreciation charges based on receipt of dates for a 5 year review cycle;
- Exemption from the requirement to use the Government Banking System.

All pay controls and approvals beyond the 1% pay cap remained in place, including the need for Chief Secretary approval for salaries above £142,500 and for certain pay deals.

When the freedoms pilot was announced most of the institutions involved were given the power to borrow through DCMS, to allow museums access to seed funding which can be used for cost savings measures and to develop revenue raising projects. A £40m loans fund was made available each year, for four years.

### **2015 Spending Review**

In the Spending Review 2015, it was announced that existing freedoms would be made permanent with immediate effect. At the same time:

- A new provision was included to exempt institutions benefitting from the freedoms from the requirement to include new members of staff in the Civil Service Pension Scheme;
- All the freedoms were opened up to the British Film Institute, Historic England, the Churches Conservation Trust and the three Service Museums; and
- The amount available in the Loans Fund annually increased to £60m to reflect the greater number of bodies (including the three Service Museums) with access.

## Government-wide-Corporate Guidance and Instructions

1. The NMRN is required to comply with the following general guidance documents and instructions, insofar as they do not fetter the overriding discretion of the branches of the NMRN or its subsidiary companies and charities as set out in Section 24 of the Framework:

- Partnerships with Arm's Length Bodies: Code of Good Practice:  
<https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/609903/P\\_U2077\\_code\\_of\\_practice\\_2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/609903/P_U2077_code_of_practice_2017.pdf)
- Corporate Governance in Central Government Departments: Code of Good Practice – guidance note.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/609668/P\\_U2076\\_corporate\\_governance\\_guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/609668/P_U2076_corporate_governance_guidance.pdf)
- Code of Conduct for Board Members of Public Bodies  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/409604/code-of-conduct\\_tcm6-38901.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/409604/code-of-conduct_tcm6-38901.pdf)
- Governance Code for Public Appointments  
<https://www.gov.uk/government/publications/governance-code-for-public-appointments>
- Managing Public Money (MPM)  
<https://www.gov.uk/government/publications/managing-public-money>
- Public Sector Internal Audit Standards  
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards-good-practice-guidance>
- Management of Risk: Principles and Concepts  
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud  
[http://webarchive.nationalarchives.gov.uk/20130102192905/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf](http://webarchive.nationalarchives.gov.uk/20130102192905/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf) Government Financial Reporting Manual (FReM)  
<https://www.gov.uk/government/publications/government-financial-reporting-manual>
- Relevant Accounting Officer letters <https://www.gov.uk/government/collections/dao-letters>
- Regularity, Propriety and Value for Money  
[http://webarchive.nationalarchives.gov.uk/20130102173401/http://www.hmtreasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130102173401/http://www.hmtreasury.gov.uk/psr_governance_valueformoney.htm);
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration  
<http://www.ombudsman.org.uk/about-us/our-principles/principles-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters
- To publish online information on all organisational expenditure over £25,000, in accordance with the format specified by the Cabinet Office
- Cabinet Office Controls as published on  
<https://www.gov.uk/government/publications/cabinet-office-controls>

