

ROYAL AIR FORCE

MUSEUM

FINANCIAL

FRAMEWORK

DOCUMENT

FINANCIAL FRAMEWORK

INTRODUCTION

1. This **Framework** sets out an arrangement between the Ministry of Defence (MOD) and the **Royal Air Force Museum** (the Museum) of **Grahame Park Way, London, NW9 5LL** on the conditions governing payment and expenditure of the Grants in Aid (GIA) made by the MOD to the Museum.

2. The Museum is a registered charity established by The Secretary of State for Defence in a Deed of Trust (dated 4th June 2007). Under the powers contained in the Deed of Trust the objects of the Museum are:

- a. To maintain the Museum known as "Royal Air Force Museum" (RAFM);
- b. To collect, preserve and exhibit objects and records relating to the history and traditions of our Royal Air Force;
- c. To collect, collate and publish information relating to, and to carry out research into, the history and traditions of our Royal Air Force;
- d. To encourage research into, and the accumulation and dissemination of information and knowledge bearing on, the history and traditions of our Royal Air Force and all matters connected therewith.

3. The Museum is a Registered Educational Charity, No 244708 and regulated by the Charities Act 1993 (as amended), the Charity Commission, the Charities (Accounts and Reports) Regulations and the Statement of Recommended Practice and the Trustees Act, all of which have the force of law.

OBJECT OF THE GRANT IN AID

4. The Museum is set up as a Non Departmental Public Body and is managed in accordance with Treasury's guidance contained within 'Managing Public Money'. The GIA is granted in support of the objectives of the Museum and consists of three parts:

A GIA is provided to the Museum and consists of three parts for:

- a. A contribution towards the operational running costs of the Museum as detailed in the relevant planning round process as requested by the MOD. Funding may be used for any purpose apart from the following:

Fund-raising activities;

Investment for the purpose of generating additional funds;
New-build capital projects;
Making loans, grants or gifts.

b. A contribution to the purchase of artefacts. Such funding may be carried over from one year to another to enable the purchase of items and could be placed in an interest bearing account to maintain the value of the funding. A list of artefacts purchased from GIA and the costs will be published each year in the Museum's Annual Report and Accounts.

c. Any statutory redundancy and winding-up costs element should be limited to this purpose only and should be placed in an interest bearing account.

5. The purpose of the GIA is to support the operation of the Museum in its role of promoting the public understanding of the history and traditions of the Royal Air Force for the benefit of present and future generations through collecting, conserving, preserving, managing and exhibiting artefacts, documents and other items from the collection.

6. The GIA allocation is dependent on the Museum maintaining the policy of free admission and demonstrating performance against agreed aims and objectives. The GIA cannot be used to make any long term financial commitments that might fall outside of the term of the GIA without prior approval from MOD.

7. This Financial Framework recognises that the achievement of agreed aims and objectives will inform the way in which the MOD is able to approach each funding round with Treasury.

RELATIONSHIP WITH MOD

8. For the purposes of day-to-day dealings, all reference in this document to MOD may be taken as referring to **HQ Air Command, RAF High Wycombe**. Payment of the GIA is subject to the MOD being satisfied that the conditions set out in this document are being met, except where some variation in these has been agreed between the parties in writing.

9. By 15th March of each Financial Year (FY) the MOD will send to the Museum a formal statement of the GIA approved for the coming FY and a statement of any planned changes in policies affecting the organisation. The amount notified will be subject to Parliamentary approval and represents a cash limit.

PAYMENT OF GIA

10. Payments will be authorised by the MOD based on spend against the GIA and in accordance with need; usually, this will be in eight instalments. However, the final payment would be subject to the value remaining of GIA after any in-year pay agreements have been taken out. In order to best support the Museum in any current FY, the sponsor will require that all requests for payment of resource GIA are accompanied by a forecast of the remaining outturn and an assessment of financial risk and its likelihood.

11. The in-year GIA allocation not issued to the Museum by the end of the FY shall lapse. Any GIA already issued but not spent by the Museum may be carried over to the next FY. Any excess carried over may be taken into account in the following year's GIA, where appropriate. Where GIA is approved but not yet issued to the Museum due to the fault of MOD, and remains unallocated, this will not be taken into account when allocating the following FY's allocation.

Inspection and Review

12. The MOD may arrange for or carry out inspections and or reviews of the Museum's management or other internal controls, in respect of GIA funds, so as to allow the MOD to discharge its responsibilities. Such inspections and or reviews will also provide assurance that value for money is achieved and that adequate safeguards are in place so as to prevent fraud and theft. The MOD will obtain the written consent and approval from the Museum prior to commencing any such inspection or review. The Museum will cooperate with such inspections or reviews where such agreement has been given and will make suitable administrative arrangements. Any funding required to allow these inspections or reviews shall be borne by the MOD.

13. Failure to provide satisfactory evidence and or assurance that public funding is used as intended and fully complies with Managing Public Money and relevant Charities Commission regulations, MOD policy guidance, as promulgated from time to time in Joint Service Publications, Defence Information Notices and other instructions that supplement the primary sources of guidance (JSP 462, JSP 472, JSP 368 and JSP 362) may impact on future funding arrangements.

Aims, Objectives & Performance Indicators

14. The MOD and the Museum have agreed the following in respect of the GIA. The responsibility for the delivery of the objectives in this agreement rests with the Museum and the Director General (DG) as Accounting Officer. Details will be available on the Museum's website. The Museum will provide illustrative evidence of its progress in meeting these objectives through the introduction to its Annual Report & Accounts; through its published Triennial Review; through its Charity Commission Annual Return and through MOD representation at RAFM Board of Trustee Meetings.

15. Within the restrictions of the Museum building and in view of the availability of resources, the Museum will:

a. Develop the Museum's audience through the encouragement of visits, the provision of services to users, and the exploitation of spaces within its Hendon and Cosford buildings for events, meetings, conferences, and special exhibitions.

b. Diversify through positive action the Museum's audience with respect to individual groups and communities of users, especially ethnic minorities, the disadvantaged and those who would not normally consider a museum visit to be of value to them.

c. Maintain the Museum website in order to make information on the Museum, its collections and its role in interpreting the history of the Royal Air Force available to the widest possible national and international audience.

d. Ensure that the Museum's collections and services are available to all, irrespective of sexual orientation, belief, disability, or ethnic background in a manner that inspires, provides enjoyment and generates engagement from the Museum's users.

e. Undertake projects and activities which are relevant to the Museum's users and which will help them to understand the world in which they live today.

f. To continue to build the RAFM brand which positions the Museum as a key factor in Society's understanding of the role played by the Royal Air Force in national life.

g. To progress solutions to long-term collections management issues as funding permits. A list of artefacts dispersed and disposed of will be published each year in the Body's Annual Report and Accounts.

h. As resources permit, identify and respond to stakeholders' needs through the use of market research, visitor surveys, and focus groups, and to evaluate the effectiveness of initiatives taken during the year.

Accountability

16. MOD is accountable through its Principal Accounting Officer (PUS) to Parliament for the following:

a. Determination and payment of the GIA in accordance with the rules of Managing Public Money (MPM);

b. The conditions attaching to the GIA;

c. Monitoring the Museum's observance of the conditions.

THE ROLE & RESPONSIBILITIES OF THE DIRECTOR GENERAL (DG)

17. The DG as appointed Accounting Officer is responsible to Parliament for the proper conduct of the Museum's business in accordance with Managing Public Money (MPM) and accounting for all the funds of the charity in accordance with the Charity Commission Statement of Recommended Practice (SORP). The appointed Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge and for ensuring propriety and regularity in the handling of those public funds. As the Accounting Officer for GIA funds, he/she will ensure:

- a. The administration of and proper accounting for the GIA, so that all resources are used economically, efficiently and effectively, and value for money sought at all times throughout the period of this agreement;
- b. The maintenance of adequate internal expenditure controls in relation to GIA funds, to include regular reviews of all contracts placed and evidence provided if required to support tendering processes;
- c. The provision of advice to the Board of Trustees so that financial issues affecting GIA are considered fully at all stages in framing and reaching decisions and in their execution;
- d. Observance of the conditions attaching to the GIA;
- e. The regularity and propriety of payments from the GIA;
- f. Establishing and maintaining effective financial monitoring and control systems to prevent theft and fraud in relation to GIA funds;
- g. The signature of the accounts and ensuring that proper records are kept relating to the accounts;
- h. Write-off of losses from GIA funds.
- i. Ensuring that the GIA is used only for the purposes detailed in this agreement and is not used for investment or speculation with the intent of generating additional income;
- j. Adhering to the standards in terms of governance, decision-making and financial management as set out in Managing Public Money (MPM).

18. In the event that the DG receives instructions that he/she regards as conflicting with this Framework, in relation to the GIA, he/she should make appropriate written representation to the Chairman of the Board Of Trustees (with a copy to the MOD). This representation should include:

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

19. The DG may delegate day-to-day duties first to the Deputy Director, then to any other Director of the Museum or his/her equivalent. The DG cannot disclaim responsibility or dilute his/her accountability. Personal write off authority must remain the responsibility of the DG and cannot be delegated.

20. The responsibilities of the Accounting Officer are detailed in Managing Public Money (MPM) and in the personal letter issued by the Departmental Accounting Officer appointing the DG as Accounting Officer.

THE PLANNING FRAMEWORK

21. By June of each year the Museum will provide the MOD with a projection of the expenditure to be met from the GIA in the coming FY, together with any receipts (if appropriate) and an outline projection of the funding likely to be required over the required Planning period. The information provided by the Museum must contain sufficient detail to enable the MOD to fulfil the requirements of public accountability. The Museum will also provide the MOD with details of all outstanding hire and lease liabilities.

22. In addition, the Museum will provide details on how it plans to utilise the GIA funding, by way of a Strategic Plan. This Plan will include a restatement of the terms and conditions as agreed in this document. The Plan defines the strategic direction that the Museum is adopting and will align with a Service Level Agreement between Air Command and the Museum that establishes a common understanding of outputs from both parties and sets a basis for reporting as well as defined performance indicators.

23. The plan will include details of any proposed capital projects, whether funded through GIA or other sources, which may have a future impact on the requirement for GIA funding. There must be no presumption that as a consequence of making a decision to proceed with capital projects, GIA funding will automatically be increased to match the new operational running costs of the Museum. When considering such plans the Museum must ensure that such additional costs are incorporated within the overall project cost or can be met from within the existing GIA funding. Shortfalls in capital projects will inevitably necessitate savings elsewhere within the Museum.

24. The Museum shall closely monitor payments and receipts at all times during the FY so that timely action can be taken to ensure that the cash limit of the GIA is not exceeded. The MOD is to be advised immediately if any overspend or underspend of the approved GIA is forecast so that appropriate action can be taken.

25. The Museum will provide the MOD with a copy of the annual audited accounts within one calendar month of them being approved by the Chairman of the Board of Trustees each year. Such accounts must be produced in accordance with the Charity Commission SORP, and such management

information as may be necessary to allow the MOD to discharge its responsibilities as set out in this document.

26. Under Government Resources and Accounts Act 2005 (as amended) a Body in receipt of significant public funding may be designated by HM Treasury to have their accounts audited and laid before Parliament by the NAO.

FINANCIAL CONTROLS AND FINANCIAL AUTHORITIES

27. The Museum has the authority to reallocate GIA between cost headings without recourse to the MOD, provided that this does not breach the terms and conditions laid out in this agreement or result in any increase to the GIA not previously agreed by the MOD.

28. In respect of the GIA, the Museum will:

a. Maintain to the MOD's satisfaction an appropriate system of financial management. Operate and apply sound and proper financial systems at all times so as to provide maximum output in the most cost efficient manner in respect of GIA funding. Optimise opportunities to reduce operational running costs when negotiating any contracts for services and or supplies, taking into account environmental impact if applicable.

b. Maintain adequate records, covering the last five financial years, of payments and receipts made against the GIA to meet National Audit Office external audit needs. Reporting and monitoring arrangements shall be regularly reviewed to ensure that risk is minimised and that value for money is sought at all times.

c. Ensure that the GIA is accounted for and managed separately from any other funds managed by the Museum. This does not mean that such funds must be held in a separate bank account from other funds of the Museum.

d. Maintain the minimum level of cash balances and reserves consistent with the efficient conduct of business.

e. At the same time as submitting a request for an instalment payment of resource GIA, the Museum shall submit a breakdown explaining how the previous allocation of GIA funding was utilised.

f. The Museum shall seek to identify and minimise risk in respect of GIA expenditure, which may exceed previously agreed control totals. Any risk incurred as a consequence of planned expenditure exceeding agreed control totals will be borne by the Museum.

MANAGEMENT AND DISPOSAL OF ASSETS

29. The Museum is accountable to MOD for the safe keeping of all assets obtained through the GIA. The Museum is also responsible for the

maintenance of inventories and records so as to satisfy the terms and conditions of this agreement.

30. There are two categories of assets which may be acquired through GIA; operational assets and collection assets. In the case of operational assets, where the Museum deems that the assets are no longer required, the Museum may offer them for sale or disposal. The proceeds from such sales may be retained by the Museum providing they are less than £1M and used to purchase other assets. Where the proceeds of the sale are greater than £1M the Museum will consult with MOD with regard to parliamentary accounting. In the case of collection assets, where the Museum deems that the assets are no longer required, the Museum may offer them for sale or disposal in line with the Museum's Acquisition & Disposal Policy, as approved by the MLA.

31. The Museum 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 Museum shall notify the MOD should the disposal of any assets be of public concern or which may create or cause adverse publicity.

ACCOUNTING ARRANGEMENTS

32. The accounts shall be produced in accordance with the current SORP. The accounts should also be prepared in accordance with the Government Financial Reporting Manual (FRoM).

33. Any subsidiary company controlled or owned by the Museum will be consolidated with it for public expenditure accounts purposes of the year-end audit opinion (subject to any particular treatment required by UK GAAP).

34. The Museum must ensure that the audited Accounts relating to GIA are provided to Air Command so that they can be sent to the MOD Corporate Financial Accounting Team once audited by the NAO and approved by the Museum to align with the requirements of Whole Government Accounts.

AUDIT

35. The Museum's accounts shall be audited by the NAO. The annual audited accounts will be signed by the Chairman and the DG after acceptance by the Board.

36. The auditor shall also examine the economy, efficiency and effectiveness with which the Museum has used its resources to carry out the tasks and the procedures agreed and adopted to comply with the principles of Managing Public Money and for the prevention of fraud. Defence Internal Audit may also examine any or all of these same aspects, in relation to GIA funds, at the request of the MOD, the Museum or its DG. The Museum accepts this requirement for access as a condition of GIA payment.

37. The Museum should comply with Government Internal Audit Standards (GIAS) in order that the Departmental Accounting Officer may receive an annual assurance on risk management, governance and control. This assurance can be provided by the Director of Defence Internal Audit (DIA) or alternatively by an external organisation. If an external organisation is chosen, the Departmental Accounting Officer requires DIA to ensure periodically that the service provided meets the requirements of GIAS. The Museum accepts this requirement for access as a condition of GIA payment.

INSURANCE

38. The Museum is responsible for its own insurance.

DURATION

39. This Framework shall be reviewed by the MOD, with the assistance of the Museum, at 5-yearly intervals, when the Museum appoints a new DG, or earlier if necessary. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

EFFECTIVE DATE

40. This Financial Framework will take effect from 1st April 2010. The next scheduled review of this document shall take place no later than 31st March 2015.

41. This agreement is subject to all relevant Treasury Policy and Guidance so far as they are compatible with the charity status of the Museum.

Signatures

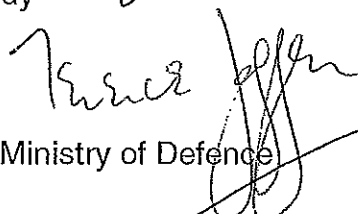
AVM Peter Dye OBE

Director General of the Royal on behalf of the Body



Terence Jagger

Command Secretary, Air Command on behalf of Ministry of Defence



ACM Sir John Day KCB OBE

Chairman of the Board of Trustees of the Royal Air Force Museum

