

FRAMEWORK DOCUMENT BETWEEN THE SCOTTISH GOVERNMENT AND THE NATIONAL GALLERIES OF SCOTLAND

Introduction

1. This Framework Document has been drawn up by the Scottish Government (SG) in consultation with National Galleries of Scotland (NGS). It sets out the broad framework within which NGS will operate and defines key roles and responsibilities that underpin the relationship between NGS and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary and at least every 3 years. Any proposals to amend the Framework Document either by the SG or NGS will be taken forward in consultation and in the light of SG and NGS priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with NGS. Legislative provisions shall take precedence over any other considerations in respect of any part of the document.

2. NGS must comply with provisions contained in the Scottish Public Finance Manual

(SPFM) on the proper handling and reporting of public funds. NGS shall not establish new subsidiaries or enter into joint ventures without the express approval of the SG. NGS shall ensure that the actions of any subsidiaries do not put it (NGS) in breach of the Scottish Public Finance Manual (SPFM) unless an exception has been approved by the SG.

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

Purpose

4. NGS is to contribute to the achievement of the SC's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the Programme for Government, Scotland's Economic Strategy and National Performance Framework.

5. NGS statutory functions are set out in the National Heritage (Scotland) Act 1985.

- care for, preserve and add to the objects in their collections ● secure that the objects are exhibited to the public
- secure that the objects are available to persons seeking to inspect them in connection with study or research
- generally promote the public's enjoyment and understanding of the Fine Arts both by means of the Board's collections and by such other means as they consider appropriate.

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

Relationship between Scottish Government and National Galleries of Scotland

7. Effective strategic engagement between the SG and NGS is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and NGS will take all necessary steps to ensure that their relationship is

developed and supported in line with the jointly agreed principles set out in the statement on 'Strategic Engagement between the Scottish Government and Scotland's NDPBs.

Governance and accountability

Legal origins of powers and duties

8. The National Galleries of Scotland (NGS) is established under the National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985. The constitution of the NDPB is set out in the Section 16 and 17 of the 1985 Act. The NDPB does not carry out its functions on behalf of the Crown.

Ministerial responsibilities

9. NGS and the Scottish Ministers are jointly accountable to the Scottish Parliament for the activities of NGS and its use of resources. Scottish Ministers are not however responsible for day to day operational matters as founding legislation prevents them from directing NGS. Their responsibilities include:

- agreeing NGS strategic aims and objectives and key targets as part of the strategic planning process
- agreeing the budget and the associated grant in aid requirement to be paid to NGS, and securing the necessary Parliamentary approval
- carrying out responsibilities specified in the National Heritage (Scotland) Act 1985 such as appointments to the NGS board, approving the terms and conditions of board members, and approving the appointment of the Director-General
- other matters such as approving NGS pay remit and laying the annual accounts (together with the annual report) before the Scottish Parliament.

NGS Board Responsibilities

10. The NGS board, including the chair, normally consists of 9-15 Trustees appointed by the Scottish Ministers in line with the Code of Practice for Ministerial Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure the Body delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the chair, for the following:

- taking forward the strategic aims and objectives for the body agreed with the Scottish Ministers
- determining the steps needed to deal with changes that are likely to impact on strategic aims and objectives of NGS or on the attainability of its operational targets
- promoting the efficient, economic and effective use of staff and other resources by NGS consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements

- ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control. The board must set up an audit committee ——— chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems
- in reaching decisions taking into account relevant guidance issued by the Scottish Ministers and the Office of the Scottish Charities Regulator (OSCR);
- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Director General as the Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions
- ensuring that the board receives and reviews regular financial information concerning the management and performance of NGS and is informed in a timely manner about any concerns regarding the activities of NGS
- appointing [with the approval of the Scottish Ministers] the NGS Director-General, following appropriate approval of the chief executive's remuneration package in line with SG Pay Policy for Senior Appointments and, in consultation with the SG, setting appropriate performance objectives which give due weight to the proper management and use of resources within the stewardship of NGS and the delivery of outcomes
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making
- fulfilling its role as the employer of the Director General and staff as set out in National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985
- authorising functions to be delegated to the Director-General staff or committees as set out in National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985.

Further guidance on how the board should discharge its duties is provided by OSCR including their Guidance for Charity Trustees, in appointment letters and in 'On Board: A Guide for Board Members of Public Bodies in Scotland'. For the avoidance of doubt, as a charity OSCR guidance takes precedence.

The Chair's Responsibilities

1.1. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between the NGS board and the Scottish Ministers should normally be through the Chair. He or she is responsible for ensuring that NGS policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

1.2. In leading the Board, the Chair must ensure that:

- the work of the board is subject to regular self-assessment and that the Board is working effectively

- the board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing NGS business, and in terms of protected characteristics under the Equality Act
- the board members are fully briefed on terms of appointment, duties, rights and responsibilities
- he or she, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice
- succession planning takes place to ensure that the board is diverse and effective, and the Scottish Ministers are advised of NGS needs when board vacancies arise
- there is a code of conduct for board members in place, approved by the Scottish Ministers.

13. The Chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the board, is also responsible for undertaking an annual appraisal of the performance of the Director-General.

Individual Board Members' Responsibilities

14. Individual Board members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by NGS and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to NGS by the Scottish Ministers but also any other funds falling within the stewardship of NGS, including trading and investment income, gifts, bequests and donations.) General guidance on Board members' responsibilities is included in the OSCR Guidance for Charity, is summarised in their appointment letters and is also provided in [On Board: A Guide for Board Members of Public Bodies in Scotland](#).

Director-General responsibilities

15. The Director-General of NGS is employed and appointed by the Board with the approval of the Scottish Ministers. He or she is the Board's principal adviser on the discharge of its functions and is accountable to the Board. His or her role is to provide operational leadership to NGS and ensure that the Board's aims and objectives are met and NGS functions are delivered and targets met through effective and properly controlled executive action. His or her general responsibilities include the performance, management and staffing of NGS. General guidance on the role and responsibilities of the Director-General are contained in [On Board](#) and OSCR website and publications.

Specific responsibilities to the board include:

- advising the board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the Board

- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Appraisal and Evaluation section of the Scottish Public Finance Manual (SPFM), are followed
- ensuring that NGS adheres, where appropriate, to the SC's Programme and Project Management Principles
- having robust performance and risk management arrangements - consistent with the Risk Management section of the SPFM - in place that support the achievement of the NGS aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards
- ensuring that adequate systems of internal control are maintained by NGS, including effective measures against fraud and theft consistent with the Fraud section of the SPFM
- establishing appropriate documented internal delegated authority arrangements consistent with the De'egated Authority section of the SPFM ● advising the board on the performance of NGS compared with its aims and objectives
- preparing NGS Strategic and Operational Plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers ● ensuring effective relationships with SG officials
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion
- ensuring staff pay proposals are in line with SG Pay Policy and submitted in time and the necessary approvals obtained prior to implementing any annual award.

NGS Accountable Officer responsibilities

1 6. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Director-General as the Accountable Officer for NGS. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the Memorandum to Accountable Officers for Other Public Bodies. These include:

- ensuring the propriety and regularity of NGS finances and that there are sound and effective arrangements for internal control and risk management
- ensuring that the resources of NGS are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value and deliver Value for Money for the Public Sector as a whole
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and SG Pay Policy ● signing the annual accounts and associated governance statements
- a statutory duty to obtain written authority from the Board/Chair before taking any action which he/she considered would be inconsistent with the proper performance of

the Accountable Officer functions. The Accountable Officer should also notify the relevant portfolio Accountable Officer.

17. It is incumbent on the Director-General, where he/she is the Accountable Officer, to combine the Accountable Officer responsibilities to the Scottish Parliament with his or her wider responsibilities to the Board. The Board/Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Director-General, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

18. The Principal Accountable Officer for the Scottish Administration will designate the Director-General for Economy as the Accountable Officer for the SG portfolio budget for NGS. The responsibilities of a Portfolio Accountable Officer are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration. He or she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by NGS conform to the requirements both of propriety and of good financial management
- the key roles and responsibilities which underpin the relationship between the SG and NGS are set out in a Framework Document - and that this document is regularly reviewed
- effective relationships are in place at Director and Deputy-Director level between the SG and NGS in accordance with the strategic engagement principles
- there is effective continuous assessment and appraisal of the performance of the Chair of NGS, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director

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

Sponsor unit responsibilities

20. The SG sponsor unit for NGS is the Sponsorship and Funding Team. It is the normal point of contact for NGS in dealing with the SG. The unit, under the direction of the Director/ Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of NGS and undertakes the responsibilities of the Portfolio Accountable Officer on his or her behalf.

Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document 'Strategic Engagement between the Scottish Government and

Scotland's NDPBs¹ and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and NGS

- ensuring that appointments to NGS board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland
- proportionate monitoring of NGS activities through an adequate and timely flow of appropriate information, agreed with NGS, on performance, budgeting, control and risk management
- addressing in a timely manner any significant problems arising in NGS, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate
- ensuring that the objectives of NGS and the risks to them are properly and appropriately taken into account in the SC's risk assessment and management systems • informing NGS of relevant SG policy in a timely manner.

Internal audit

21. NGS shall:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards and the Internal Audit section of the SPFM
- set up an audit committee of its Board, in accordance with the Audit Committees section of the SPFM, to advise both the board and the Director-General in his/her capacity as NGS Accountable Officer
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including NGS Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested
- keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by NGS and notify the SG at the earliest opportunity of any unusual or major incidents • notify timeously to the SG any significant fraud and theft suffered by NGS.

22. The SG's Internal Audit Directorate has a right of access to all documents held by NGS internal auditor, including where the service is contracted out. The SG has a right of access to all NGS records and personnel for any purpose subject to any legal restrictions on releasing such data.

External audit

23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, NGS annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. NGS shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SC.

24. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which NGS has used its resources in discharging its functions.

The AGS may also carry out examinations into the arrangements made by NGS to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, NGS shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

Annual report and accounts

25. NGS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of the NDPB. As a registered charity NGS should comply with The Charity Accounts (Scotland) Regulations 2006 and the Accounting and reporting by charities statement of recommended practice (The Charities SORP) and, where these do not conflict, the Government Financial Reporting Manual , and outline NGS main activities and performance against agreed objectives and targets for the previous financial year.

26. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including Charities SORP) and where this does not conflict, compliance with the FReM and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by NGS shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

27. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 31 August. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers in sufficient time for them to meet the statutory date for laying and publishing accounts audited by the AGS, is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. NGS shall be responsible for the publication of the report and accounts.

Management Responsibilities

Corporate and Business Plans

28. NGS must ensure that a Corporate Plan, agreed with the Scottish Ministers, is in place and published on its website, NGS shall agree with the SG the issues to be addressed in the Plan and the timetable for its preparation and review. The finalised Plan shall reflect NGS strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how NGS contributes to the achievement of the SG 's primary purpose of increasing sustainable economic growth and alignment with the SC's National Performance Framework (NPF). The Corporate Plan for NGS should include:

- an analysis of the environment in which NGS operates
- the purpose and principal aims of NGS
- key objectives and associated key performance targets for the period of the Plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SC's primary purpose and alignment with the NPF
- indicators against which performance can be judged

- details of planned efficiencies, describing how NGS proposes to achieve better value for money, including through collaboration and shared services
- other matters as agreed between the SG and NGS.

29. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for NGS should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified.

A copy of NGS business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

Budget management

30. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to the NGS by 1 March a formal statement of its budgetary provision, a note of any related matters and details of the budget monitoring information required by the SG. Transfers of budgetary provision between the different summary classifications (ie resource DEL, non-cash DEL, capital DEL and AME) as advised would require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfers of provision within the summary classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

31. If the trading and other resource income - or the net book value of disposals of noncurrent assets - realised is less than included in the most up to date agreed budget NGS shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which NGS exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year.) Excluding income resulting from gifts, bequests or donations, if the amounts realised or expected to be realised in-year are significantly more than estimated, NGS shall discuss the financial impact with the sponsor team before using any excess to support additional expenditure. NGS must still keep the SG informed about income resulting from gifts bequests and donations so the SG can settle the associated public expenditure treatment. Such income should be spent in-year by NGS or transferred to the NGS Foundation to avoid building up significant levels of reserves,

Cash management

32. Any grant in aid (i.e. the cash provided to NGS by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of NGS and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by NGS.

33. The banking arrangements adopted by NGS must comply with the Banking section of the SPFM.

Risk management

34. NGS shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the Risk Management section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The NGS audit committee is also required, at the earliest opportunity, to notify the SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

Organisational security and resilience

35. As part of risk management arrangements, the NGS shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:

- Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance)
- The Scottish Public Sector Action Plan on Cyber Resilience and associated guidance

Counter Fraud Arrangements

36. NGS should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the Fraud section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

Performance management

37. NGS shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the Strategic and Operational Plans. The results of such reviews should be reported on a regular basis to the NGS board and copied to the SC. The SG shall assess NCS performance proportionately, on a continuous basis and undertake a formal review meeting at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the NGS chair at least once a year.

NGS staff management

Broad responsibilities for NGS staff

38. NGS will have responsibility for the recruitment, retention and motivation of its staff.

The responsibilities toward its staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff pay Remits)
- the performance of its staff at all levels is satisfactorily appraised and NGS performance measurement systems are reviewed from time to time

- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve NGS objectives ● proper consultation with staff takes place on key issues affecting them ● adequate grievance and disciplinary procedures are in place
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs — Model Code of Conduct for Members of Devolved Public Bodies.

Pay and conditions of service

39. NGS will comply with SG Pay Policy in relation to staff and the chief executive. NGS shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the Tax Planning and Tax Avoidance section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. NGS will also seek appropriate approval under the SG Pay policy for Senior Appointments for the chief executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

40. Superannuation arrangements for NGS staff are subject to the approval of the SG. NGS staff shall normally be eligible for a pension provided by Principal Civil Service Pension Scheme (PCSPS). Staff may opt out of the occupational pension scheme provided by NGS, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the contribution that would have been made under a PCSPS pension.

41 Any proposal by NGS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the _____ Settlement Agreements, Severance, Early Retirement and Redundancy Terms section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Asset and property management

42. NGS shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the Property: Acquisition, Disposal & Management section of the SPFM. NGS must seek advice from Property Division at the earliest opportunity when an acquisition or disposal of property or interest in a property is being considered. "Fixed" assets should be disposed of in accordance with Disposal of Assets section of the SPFM (this must include notifying Property Division of the surplus asset at the earliest opportunity in order that it may be internally advertised; a process known as The Trawl. Any proposal to acquire land, buildings or other rights in property should comply with the Acquisition of Property section of the SPFM. NGS is subject to the SG Asset Management Policy, including the requirement for the acquisition of a new lease,

continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process. All assets (property, plant and equipment) are to be properly recorded and updated as necessary by NGS on the Government Property Unit's electronic Property Information Mapping System (e-PIMS).

Specific financial provisions

Delegated authorities

43. NGS specific delegated financial authorities - as agreed in consultation between NGS and the SG - are set out in the attached Appendix. NGS shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. NGS shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Income generation

44. NCS shall seek to optimise income - grant in aid does not qualify as income - from all sources, including from the European Union, and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by NGS shall be determined in accordance with the Fees & Charges section of the SPFM.

45. Gifts, bequests or donations received by NGS, score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SGI. However, NGS should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc NGS shall consider if there are any associated costs in doing so or any conflicts of interests arising. NGS shall keep a written record of any such gifts etc and what happened to them.

Financial investments

46. Unless covered by a specific delegated authority NGS shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of NGS. NGS shall not invest in any venture of a speculative nature. For the avoidance of doubt NGS has invested in its trading subsidiary and also holds investments related to third party funds donated to NGS.

Borrowing

47. Borrowing cannot be used to increase NGS spending power. All borrowing by NGS excluding agreed overdrafts shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Lease arrangements

48. Unless covered by a specific delegated authority NGS shall not enter into any finance, property or accommodation related lease or Memorandum of Terms of Occupation (MO TO)

arrangement — including the extension of an existing lease or the non-exercise of a tenant's lease break option - without the SC's prior approval. Before entering/ continuing such arrangements NGS must be able to demonstrate that the lease or MOTO offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. NGS must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

Tax arrangements

49. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the Tax Planning and Tax Avoidance section of the SPFM. NGS must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of NGS to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. The NGS must also ensure that it accounts properly for any output tax on sales or disposals.

Lending and guarantees

50. Any lending by NGS must adhere to the guidance in the Borrowing, Lending & Investment section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit NGS shall not, without the SC's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

Third party grants

51. Unless sourced from funds other than GIA or trading income, or covered by a specific delegated authority, the NDPB shall not, without the SG's prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the State Aid section of the SPFM. Guidance on a framework for the control of third party grants is provided as an annex to the Grant & Grant in Aid section of the SPFM.

Impairments, provisions and write-offs

52. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the Scottish Government at the earliest possible point in the financial year to determine the implications for NGS budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SC. Write-off of bad debt and/or losses scores against NGS resource DEL budget classification and is subject to specific delegated limit.

Insurance

53. NGS is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the Insurance section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to NGS.

Specific arrangements are in place regarding objects loaned to NGS under cover of the Government indemnity Scheme. The SG will provide NGS with a Certificate of Exemption for Employer's Liability Insurance.

Procurement and payment

54. NGS procurement policies shall reflect relevant guidance in the Procurement section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving NGS objectives consistent with the principles of Value for Money, the highest professional standards and any legal requirements. All external consultancy contracts over the value of EI 001000 or any proposal to award a contract without competition (non-competitive action) over the value of EI 00,000 must be endorsed in advance by the Director General.

55. Any major investment programmes or projects undertaken by NGS shall be subject to the guidance in the Major Investment Projects section of the SPFM and is also subject to a specific delegated authority. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.

56. NGS shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the Expenditure and Payments section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SC's target for the payment of invoices within 10 working days of their receipt.

Gifts made, special payments and losses

57. Unless covered by a specific delegated authority, NGS shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the Losses and Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salari/ Rewards section of the SPFM.

Clawback

58. Where NGS has financed expenditure on assets by a third party, NGS shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without NGS prior consent. NGS shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if NGS contributed less than the whole cost of acquisition or improvement. NGS shall also ensure that if assets financed by NGS cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to NGS.

State aid

59. State aid is a European Commission term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. Any activity that NGS undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to state aid rules. A state aid assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the state aid section of the SPFM.

Board expenses

60, Remuneration (daily fees), allowances and expenses paid to board members [and any pension arrangements] must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

APPENDIX

NATIONAL GALLERIES OF SCOTLAND SPECIFIC DELEGATED FINANCIAL AUTHORITIES

	Delegated Limit
External business and management consultancy (single contract not collective)	€100,000
Non-competitive action (single tender procurement)	€50,000
Operating leases other than property/accommodation related leases	€50,000
Gifts e.g. of catalogues	€1,000 per gift
Claims waived or abandoned	€10,000
Write-off of bad debt and/or losses	€10,000
Write off of stock	€30,000
Grants to partner galleries associated with projects	€50,000 per grant
Major investment project	€1m for projects which deliver a net increase in running costs. €3m for those which are cost neutral or better.
Payment of fee for an exhibition	€250,000 per exhibition.

Signed on behalf of Scottish Government

Name:

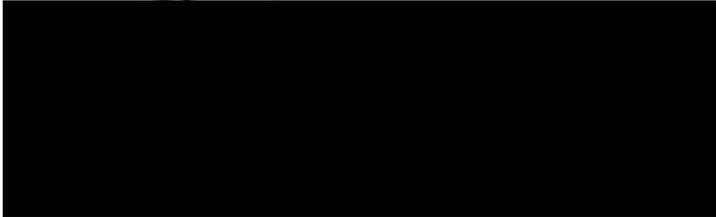


Designation: S

Date:

Signed on behalf of National Galleries of Scotland

Name:



Designation:

Date:

