

## **V&A: Key Information Sheet**

### **1. Priorities**

1.1. The Secretary of State's priorities for the V&A are as follows:

- That the world-class collections and front-line services of the V&A are protected;
- that free entry to the permanent collections of the national museums will continue to be available and public access will be protected;
- that the museum will continue to work in partnership with other museums in the UK;
- that the museum will continue to strengthen the financial resilience of the sector, building on the work you have already embarked on to develop philanthropy in the sector, and adding further impetus to organisations' efforts to increase their share of 'earned income';
- that the museum will support international cultural exchange and build relationships which help develop the culture sector in this country and assist export promotion in that sector;
- that the museum will work with DCMS and other museums to find a more efficient solution for central London museum storage, conservation and research facilities.

The Secretary of State would also like the V&A to look at how it can contribute to the success of the GREAT campaign and economic growth, and to consider how it can work with Visit Britain, Visit England and other ALBs to support the growth of the visitor economy, particularly at local level.

1.2. The grant-in-aid allocation is dependent on the V&A maintaining free admission to the permanent collections.

1.3. In addition, the V&A has the following strategic priorities, details of which are set out in the V&A Strategic Plan 2011-2015:

- To provide all our visitors with the best quality experience and optimum access to our collections, both physically and digitally, and to inspire creativity in them all
- To be acknowledged and respected internationally as the world's leading museum of art and design
- To promote, develop and contribute to the UK creative economy by leading the field in debate, inspiring designers and makers, commissioning excellent design, stimulating enjoyment and appreciation of art, design and performance
- To operate with financial and organisational initiative and efficiency.

## 2. Financial Allocation

The columns shaded blue are the V&A's budgetary control totals.

£m	Resource DEL				Total Resource DEL (B+C+D)
Year	Programme	Programme Depreciation	Reserves	Near-Cash Resource DEL (A+C)	
	A	B	C	D	E
2013/14	37.523	9.890	0.000	37.523	47.413
2014/15	29.103	10.321	0.000	29.103	39.424
2015/16	35.406	10.321	0.000	35.406	45.727

£m	Capital DEL					Total Capital Budget (I+J)	Grant in Aid (A+I)
Year	Core Capital	Capital Grants	Major Projects	Capital (excl. Reserves) (F+G+H)	Reserves		
	F	G	H	I	J	K	L
2013/14	1.885	0.000	0.000	1.885	4.500	6.385	39.408
2014/15	1.968	0.000	0.000	1.968	0.000	1.968	31.071
2015/16	1.903	0.000	0.000	1.903	0.000	1.903	37.309

The reserves section includes your requested reserves cover for 2013/14 but not 2014/15 or 2015/16. The museum is permitted to spend their historic reserves against resource or capital during the year, provided that the budgetary cover has been granted by the Treasury in the Main or Supplementary Estimates. Failure to do this may lead to an excess vote for the Department and more onerous financial management requirements being imposed on the museum.

## 3. Delegated Financial Limits

All delegations are subject to the requirement that spending proposals falling within Managing Public Money Annex 2.2, box A.2.2C should be referred to DCMS. These are:

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

## Unlimited (unless otherwise specified)

### 3.1. Capital Expenditure

Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles), art works and additions to the collection with an expected working life of more than one year. Also includes exchanges of fixed assets.	Up to £15 million (whole life cost in today's prices)
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### 3.2 ICT Expenditure

Any ICT expenditure (full lifetime costs)	£5 million
Expenditure on current or new back office/administrative systems, including HR, Finance/Accounting, and procurement systems. The control includes implementation, licensing and support costs, as well as extension to those services.	£1 million

### 3.3 Advisory Consultancy

<p>The provision to management of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions. The sub categories of consultancy are:</p> <ul style="list-style-type: none"><li>• Strategy</li><li>• Finance</li><li>• Organisation and change management</li><li>• IT/IS</li><li>• Property and construction</li><li>• Procurement</li><li>• Marketing and communication</li><li>• HR, training and education</li><li>• Programme and project management</li><li>• Technical</li></ul>	£20,000
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### 3.4. Gifts

<p>1. In a financial year, any one gift or total of gifts by the V&amp;A:</p> <ul style="list-style-type: none"><li>• to one person/organisation;</li><li>• to staff.</li></ul> <p>Gifts to staff are also subject to the following Cabinet Office guidance: <a href="http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality">http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality</a></p>	Up to £1,000
2. Gifts received by the V&A	Unlimited

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

### 3.5 Non-Statutory Contingent Liabilities

Up to  
£100,000

### 3.6 Losses and Special Payments

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of the V&A's Accounting Officer. The V&A should consult DCMS where cases:

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

### 3.6.1 Classification of losses

Type	Description	Delegation
<b>A</b>	<b>Losses</b>	
i.	<b>Cash losses:</b> Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)	£100,000
ii.	<b>Bookkeeping losses:</b> <ul style="list-style-type: none"> <li>• unvouched or incompletely vouched payments, including missing items;</li> <li>• charges to clear inexplicable or erroneous debit balances.</li> </ul>	£100,000
iii.	<b>Exchange rate fluctuations:</b> Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
iv.	<b>Losses of pay, allowances and superannuation benefits</b> paid to civil servants, members of the armed forces and NDPB employees: <ul style="list-style-type: none"> <li>• overpayments due to miscalculation, misinterpretation, or missing information</li> <li>• unauthorised issues, e.g. inadmissible payments</li> <li>• losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.</li> </ul>	£100,000 £100,000 £100,000
v.	<b>Losses arising from overpayments</b> of social security benefits, grant, subsidies, etc. arising from miscalculation, misinterpretation or missing information.	£100,000
vi.	<b>Losses arising from failure to make adequate charges</b> for the use of public property or services.	£100,000
<b>B</b>	<b>Losses of accountable stores:</b>	
i.	because of proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. even where a legal claim is not possible).	£100,000
ii.	losses arising from other causes.	£100,000
<b>C</b>	<b>Fruitless payments and constructive losses</b>	£100,000
<b>D</b>	<b>Claims waived or abandoned</b>	£100,000

A record of losses should be maintained and if the total of losses or special payments in the year exceeds £100,000, the annual accounts should include a statement, with any individual losses and special payments exceeding £100,000 specifically identified.

### 3.6.2 Special Payments

There is no delegation for special severance payments and these will require HM Treasury approval before an offer can be made.

**Special payments:**

i.	extra-contractual and <i>ex gratia</i> payments to contractors;	£100,000
ii.	other <i>ex gratia</i> payments;	£100,000
iii.	compensation payments;	£100,000
iv.	extra-statutory and extra-regulatory payments.	£100,000

## 4. Performance Measures

### 4.1. Key Performance Indicators

1. Charitable giving (donations and sponsorship), comprising:
  - a) the total amount of charitable giving, i.e. gross income from activities which involve seeking financial support from, e.g. sponsors, private benefactors, charitable trusts (DCMS Business Plan impact indicator);
  - b) the ratio of charitable giving to grant-in-aid (DCMS Business Plan input indicator);
2. Number of visits to the V&A excluding virtual visits.

### 4.2. Additional Performance Indicators

- Number of unique website visits
- Number of visits by children under 16
- Number of overseas visits
- Number of facilitated and self-directed visits to the Museum by visitors under 18 in formal education.
- Number of instances of visitors under 18 participating in on site organised activities.
- % of visitors who would recommend a visit
- Admissions income (gross income)
- Trading income (net profit)
- Number of UK loan venues

## 5. Engagement

There will be an annual review meeting between the Secretary of State and the Chair of the V&A trustees, and an annual engagement strategy agreed between officials. There will be on-going review of capital projects at official level, complementing the Investment Committee approvals process, and the V&A holds membership of the Museums Storage Governance Board.

## 6. Management Information

This may be subject to change depending on future information requirements.

<b>Timescale</b>	<b>What</b>	<b>How</b>	<b>Purpose</b>
Monthly (10 <sup>th</sup> working day of each month)	Grant-in-Aid requests	Via Finance Partnership Webpage	To get the V&A's latest forecast income and expenditure for reporting to Board and HM Treasury. Also the mechanism for paying GIA to the V&A
Monthly	Consultancy return (including nil returns)	By e-mail to DCMS Procurement and Property Services Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Monthly	Spend over £25,000	On the V&A's website	Transparency: to inform public how public money is spent
Quarterly	Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector)	By e-mail to DCMS Procurement and Property Services Team	Benchmarking of procurement spend and provision of data on economic effect of spend by Departments and ALBs
Quarterly	Exchequer funds held in commercial bank accounts	By e-mail to Finance	To supply HM Treasury with details of how much government funding is held outside GBS
Quarterly	Medium Term Financial Model returns	By e-mail to Finance	To get the V&A's latest capital profiles for internal management and reporting to Investment Committee

Six-monthly	Publication of senior salaries and organograms	On the V&A's website or hosted on DCMS website	Transparency: to inform public how public money is spent
Annually	Alignment/WGA	Alignment consolidation packs, WGA transactions and balances exercise	Alignment: to consolidate the V&A's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation.
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet HM Treasury requirement to supply centre with sustainability data
Annual	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	By e-mail to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually - Early May	Provisional Outturn for the Public Expenditure Outturn White Paper (PEOWP)	By e-mail to Finance	HM Treasury requirement. Feeds into the PEOWP and presented to Parliament
Annually - Mid August	Final Outturn	By e-mail to Finance	HM Treasury requirement – give bodies chance to bring data in line with audited accounts
Annually	Annual report and accounts	By e-mail to Finance as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	Pay Remit and pay remit outturn	By e-mail to ALB Team	To ensure spend on pay is aligned across Government
Annually	Publication of salaries over £150k	By e-mail to ALB Team (for publication on Cabinet Office website)	Transparency: to inform public how public money is spent
Annually	Sharing of Strategic Risk Register as per paragraph 13.1 of	At annual performance meeting	Enable timely and appropriate response to risk



	the Governance framework.		
Ad hoc immediate as required	Completion and updating of e-Pims™ database	Directly into e-Pims™ system	To ensure accurate property and estate information is maintained at all times
Ad hoc immediate as detected	Total identified fraud (£)	By e-mail to Finance	To enable dissemination of fraud cost information to the authorities
Ad hoc immediate as detected	Total prevented fraud (£)	By e-mail to Finance	To enable dissemination of fraud cost information to the authorities
On request	Sharing of audit strategy, periodic audit plans and annual audit report, including the Head of Internal Audit's opinion on risk management, control and governance.	With Finance and Head of, on request	Assurance of financial management

Other information:

Data to be provided as per the Publications and information strategy section of the Governance Framework

Annually: completed strategic and corporate documents as per the Business Planning section of the Governance Framework

# **V&A Governance framework**

## **1. Introduction**

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

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

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

## **2. Governance and accountability**

2.1 The statutory and other duties of the V&A derive from the National Heritage Act 1983. The V&A is also an exempt charity and must comply with charity law.

2.2 The Secretary of State and other members of the DCMS Ministerial team will account for the V&A’s business in Parliament.

2.3 The respective responsibilities of the Departmental Accounting Officer and Accounting Officers for NDPBs and other arm’s length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the V&A’s Accounting Officer on appointment and summarised below.

2.4 The Board will be appointed in accordance with the provision of National Heritage Act 1983. Where such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments. The terms of appointment of the Board members are as set out in the letters which are sent separately on appointment.

2.5 In line with the National Heritage Act 1983 and, where applicable, the Government’s Code of Practice on Corporate Governance, the Museum is governed by a Board of not less than 12 nor more than 20 Trustees. Trustees are appointed by the Prime Minister who shall appoint one of them to be Chairman.

2.6 The Director is appointed by the Trustees of the V&A with the approval of the Prime Minister. The Director reports to the Board on the day-to-day running of the organisation and its performance against objectives. In addition to this, the Director will normally be the Accounting Officer for the V&A and will have specific duties in this regard, which are set out in section 5 below.

## **3. The Secretary of State’s role as Principal Regulator**

3.1 The Secretary of State for Culture, Media and Sport will carry out the general duty as “principal regulator” for the V&A, as it is one of the institutions listed in Schedule 3 to the Charities Act 2011 as exempt charities, in so far as it is not a charity already registered with the Charity Commission. This role will also be fulfilled with respect to bodies that the V&A would consolidate in its group accounts. The Secretary of State is appointed to act as principal regulator for the V&A by regulation 2 of SI 2010/501 (‘The Charities Act 2006 (Principal Regulator of Exempt Charities) Regulations 2010’). The general duty is set out in section 26 of the Charity Act 2011 and it is a duty to do all that the Secretary of State reasonably can to meet the compliance objective. The compliance objective means promoting compliance by the V&A Trustees with their legal obligations in exercising control and management of the administration of the charity.

#### **4. Departmental Accounting Officer’s responsibilities**

4.1 The Permanent Secretary, as Accounting Officer for DCMS, is accountable to Parliament for the issue of any grant-in-aid to the V&A and is also responsible for ensuring arrangements are in place to:

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

4.2 The Head of Heritage in DCMS is the primary contact for the V&A within DCMS.

#### **5. V&A Accounting Officer’s responsibilities**

5.1 The Departmental Accounting Officer will normally appoint the Permanent Head of the V&A, i.e. the Director, to be the Accounting Officer for the body. The duties of the V&A’s Accounting Officer are set out in full in the Permanent Secretary’s appointment letter to him/her. The Accounting Officer is responsible for accounting to Parliament, DCMS, the V&A’s Board and other stakeholders.

5.2 The V&A Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge (including grant-in-aid and any other funds within the stewardship of the V&A); for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and, reporting to the Board of Trustees, for the day-to-day operations and management of the V&A and the achievement of its strategic aims. In addition, he or she should ensure that the V&A as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money (at the time of writing).

5.3 The key accountabilities are:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with charity law, HM Treasury guidance and with any directions issued by the Secretary of State;

- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- Ensuring the prompt repayment of principal and interest on any loans received from the Department set out in the signed Borrowing Agreement;
- signing a Governance Statement concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the V&A and whistle-blowing are established and made widely known within the body;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by DCMS, HM Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of DCMS, when summoned before the PAC on the V&A's stewardship of public funds.

5.4 Particular responsibilities to V&A are:

- informing DCMS of progress in helping to achieve V&A's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to DCMS; that DCMS 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 DCMS in a timely fashion; and
- to work collectively with DCMS and other members of the DCMS 'family' of arm's length bodies in support of each other and the group as a whole.

5.5 The duties of the Accounting Officer with respect to the Board of the V&A are:

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

## 6. The V&A Board

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

6.2 The Board must set up an Audit Committee chaired by a Board member other than the Chair. The Audit Committee should support the Board and Accounting Officer by providing advice and assurance on risk management, governance and internal control.

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

6.4 The Board is specifically responsible for:

- ensuring that the V&A fulfills the aims and objectives set out in its founding legislation and within the resources and policy framework determined by the Secretary of State;
- determining the steps necessary to deal with any developments which are likely to affect the V&A's ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority, within the resources framework determined by the Secretary of State any delegated authority agreed with DCMS, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by DCMS;
- ensuring that the V&A complies with the requirements of charity law where this applies;
- ensuring that the Board receives and reviews regular financial information concerning the management of the V&A; is informed in a timely manner about any concerns about the activities of the V&A; and provides positive assurance to DCMS that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks;
- appointing a Director with the Secretary of State's approval of the remuneration package and, in consultation with DCMS, setting remuneration terms linked to performance against objectives;
- ensuring that any public functions of the V&A are carried out in compliance with statutory duties.

## **7. The Chair's personal responsibilities**

7.1 The Chair is responsible to the Secretary of State for ensuring that the V&A fulfills its statutory purpose as set out in its founding legislation, that it complies with charity law, that where appropriate the V&A's policies are consistent with those of the Secretary of State, and that the V&A's affairs are conducted with probity.

7.2 In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy for discharging its statutory duties;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or DCMS;
- ensuring that the Board, in reaching decisions, takes proper account of the requirements of charity law;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;
- supporting the Accounting Officer in delivering high standards of regularity and propriety; and

- representing the views of the Board to the general public.

7.3 The Chair also has an obligation to ensure that:

- the work of the Board and its members are reviewed and are working effectively;
- the Board has a balance of skills appropriate to directing the V&A business, as set out in the Government Code of Good Practice on Corporate Governance;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible Minister is advised of V&A needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being considered for re-appointment;
- there is a Board Operating Framework in place setting out the role and responsibility of the Board consistent with the Code of Good Practice for Corporate Governance;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

## **8. Individual Board members' responsibilities**

8.1 Individual Board members should:

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

## **9. Publications and information strategy**

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

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

9.2 The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with HM Treasury's Financial Reporting Manual (FReM) where this does not conflict with charitable accounting requirements in the Statement of Recommended Practice (SORP);
- contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

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

9.4 Additionally the V&A will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the public to: (i) see progress against activity which the V&A has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.

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

## **10. Internal Audit**

10.1 The V&A shall:

- establish and maintain arrangements for internal audit in accordance with HM Treasury's Public Sector Internal Audit Standards;
- 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;
- forward the audit strategy, periodic audit plans and annual audit report, including the V&A Head of Internal Audit's opinion on risk management, control and governance to the sponsor department on request;
- have effective internal controls to prevent and detect fraud and theft;
- report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

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

## **11. External Audit**

11.1 The Comptroller & Auditor General (C&AG) audits the V&A annual accounts. Ministerial approval to lay must be given before the C&AG can sign off the accounts.

11.2 In the event that the V&A has set up and controls subsidiary companies:

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

11.3 The C&AG:

- will consult DCMS and the V&A on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the V&A;
- will share with DCMS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on DCMS's responsibilities in relation to financial systems within the V&A;
- 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.

11.4 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the V&A has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the V&A shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## **12. Right of access**

12.1 Subject to any overriding legal rights or obligations, the V&A will provide access to DCMS to all the V&A's records and personnel for all purposes including, for example, operational investigations.



### **13. Managing Public Money and other government-wide corporate guidance and instructions**

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

13.2 Once the overall budget has been allocated by DCMS and subject to any restrictions imposed by statute, the responsible Minister's instructions and this document, the V&A shall have authority to incur expenditure approved in the budget without further reference to DCMS, on the following conditions:

- the V&A shall comply with the delegated financial limits agreed with DCMS. These delegations shall not be altered without the prior agreement of DCMS;
- the V&A shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits;
- the V&A shall provide DCMS with such information about its operations, performance on individual projects or other expenditure as DCMS may reasonably require;
- The V&A shall comply with any additional requirements subsequently notified to them by DCMS, for instance on spending controls or delegated authorities subject to the Trustees' obligation to fulfil their primary charitable duties.

### **14. Risk management**

14.1 The V&A 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 HM Treasury guidance. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with HM 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 or to give grant or grant-in-aid.

### **15. Business Planning**

15.1 To operate its business effectively, the V&A should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for three years ahead), and should include a business plan (one year ahead). The first year of the planning document can include the business plan incorporated as a single document.

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

15.3 The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives, taking account of guidance on resource assumptions and policies provided by DCMS at the beginning of the planning round. These forecasts should represent the

V&A's best estimate of its available income, including any grant or grant-in-aid, loans from DCMS, investment or any other funding within the V&A.

## **16. Review**

16.1 The V&A may be reviewed periodically by DCMS in accordance with:

- the business needs of DCMS and of the V&A;
- Cabinet Office guidance.

## **17. V&A staff**

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

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- 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;

17.2 Any proposal by the V&A to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office under the Civil Service Compensation Scheme or an analogous scheme, requires the prior approval of the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and will require HM Treasury approval.

17.3 The V&A will determine the terms and conditions of employment of its staff in line with the current Civil Service pay policy guidelines issued by HM Treasury including the conclusions of the May 2012 Review of the tax arrangements of public sector appointees in all of its off-payroll engagements. The V&A will submit an annual pay remit to DCMS to approval though this is no longer subject to a 1% cap on pay increase. Pay increases are now at the discretion of the Board of Trustees but are expected to be affordable, realistic and responsible.

17.4 The V&A shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices.

## **18. Budgets and Grant-in-Aid**

18.1 Expenditure against the resource and capital budgets must be recorded and monitored by the V&A in accordance with HM Treasury's Consolidated Budgeting Guidance (or its successor Forecast expenditure should be reported through the Main and Supplementary Estimates process and any net expenditure above the museum's grant-in-aid totals will be reflected in its DEL budget. While the museum has the freedom to set any defensible resource or capital budget for the year through this process, the totals set must then be adhered to. Net expenditure above the limit reported in the Estimates may not be committed and may result in an excess vote for the Department and the imposition of more onerous financial management requirements on the museum. The V&A's budgetary control totals are those columns shaded blue in the table of financial allocations in the Key Information Sheet.

18.2 The V&A may not breach the component parts of the capital and resource budgets (e.g. core capital). Approval must be sought in advance and in writing if the V&A wishes to spend more in one category and less in another, or for redirecting grant-in-aid funding to specific purposes e.g. a major project. . In all these matters, DCMS may be required to refer a decision to HM Treasury before granting approval.

18.3 Grant-in-aid is the amount payable by DCMS to the V&A in each year and is independent of the budget figures, although derived from them. It does not include depreciation.

## **19. Grant-in-aid and any ring-fenced grants**

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

19.2 The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The V&A 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 V&A. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances of grant-in-aid funds at the year-end, DCMS 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.

19.3 As a minimum, the V&A shall continue to provide DCMS with monthly information via its grant-in-aid claims that will enable DCMS satisfactorily to monitor:

- the V&A's cash management;
- its draw-down of grant-in-aid;
- receipt and repayment of loan principal and interest;
- forecast outturn;
- major risks to the forecasts presented;
- other data required for HM Treasury's Online System for Central Accounting and Reporting (OSCAR) or its successor.

## **20. Reporting performance to DCMS**

20.1 The V&A 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 V&A's performance shall be reviewed by DCMS periodically in accordance with the engagement strategy.

## **21. Delegated authorities**

21.1 The V&A shall obtain DCMS's or, as appropriate, HM Treasury's, prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the V&A's annual budget as approved by DCMS;

- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DCMS;
- redirecting funding provided by DCMS for one purpose to other purposes;
- borrowing (including temporarily) or lending money, charging any asset or security, giving guarantees, indemnities or letters of comfort or knowingly incurring any other contingent liability above the delegated limit specified in 3.6 of the Key Information Sheet, in line with the requirements and exceptions as set out in Managing Public Money;
- taking out commercial insurance, e.g. for objects of value borrowed from third parties, other than that which is a statutory obligation;
- entering into any speculative financial investments using grant-in-aid;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

21.2 The certificate of exemption from Employers' Liability Insurance issued in September 2002 remains valid.

## **22. Borrowing – Voted Loans**

22.1 The V&A Museum will provide DCMS with a written application for borrowing needs for the financial year prior to the Main Estimate. These applications will be subject to DCMS's borrowing appraisal processes.

22.2 When considering the case for loan applications, the V&A is expected to use the Borrowing Guidance provided by DCMS.

22.3 The V&A 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.

## **23. Capital projects**

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

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

23.3 When considering the case for capital projects, the V&A is expected to use HM Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case for evaluating a capital project regardless of whether the project requires DCMS

Investment Committee approval. DCMS reserves the right to receive copies of business cases for projects below the V&A's delegated limit or elements of it, such as the Net Present Value calculation.

## 24. Assets

24.1 The V&A should arrange for the efficient and effective use, maintenance, acquisition and disposal of the assets under its control. The V&A should draw up, and keep up to date, a register of all the tangible and intangible assets it owns and uses, and develop an asset management plan which is reviewed at least annually by the Board.

24.2 The V&A should take professional advice when disposing of land and property assets, and take account of the protocol set out in the Managing Public Money Asset Management Annex.

## 25. Procurement

25.1 The V&A shall:

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

Signed by:



Secretary of State for Culture, Media and Sport

Date: 14 May 2014



Chair of the V&A

Date: 29 MAY '14



Accounting Officer of the V&A

Date: 12 June 14

## Annex A: Compliance with guidance and instructions

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

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)
- Managing Public Money (MPM);  
[http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)
- Consolidated Budgeting Guidance;  
<https://www.gov.uk/government/publications/consolidated-budgeting-guidance>
- Public Sector Internal Audit Standards;  
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit Committee Handbook;  
[http://www.hm-treasury.gov.uk/audit\\_committee\\_handbook.htm](http://www.hm-treasury.gov.uk/audit_committee_handbook.htm)
- Management of Risk: Principles and Concepts;  
[http://www.hm-treasury.gov.uk/d/orange\\_book.pdf](http://www.hm-treasury.gov.uk/d/orange_book.pdf)
- HM Treasury guidance on Tackling Fraud;  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf) ;
- Government Financial Reporting Manual (FReM);  
[http://www.hm-treasury.gov.uk/frem\\_index.htm](http://www.hm-treasury.gov.uk/frem_index.htm)
- The Charities SORP;  
[http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Accounting\\_and\\_reporting/Preparing\\_charity\\_accounts/sorpfront.aspx](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfront.aspx)
- Fees and Charges Guide, Chapter 6 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_ch6.pdf](http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf)
- Banking guidance, annex 5.7 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- Relevant Dear Accounting Officer letters;  
<https://www.gov.uk/government/collections/dao-letters>
- Regularity, Propriety and Value for Money;  
[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm)
- The Parliamentary Ombudsman's Principles of Good Administration;  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);  
<http://www.justice.gov.uk/guidance/freedom-and-rights/freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Annex A of Public Bodies: A Guide for Departments (Cabinet Office);  
<http://www.civilservice.gov.uk/about/resources/information-on-public-bodies>
- Other relevant guidance and instructions issued by HM Treasury in respect of Whole of Government Accounts;  
[http://www.hm-treasury.gov.uk/wga\\_guidance\\_index.htm](http://www.hm-treasury.gov.uk/wga_guidance_index.htm)
- Guidance on major projects issues by the Major Projects Authority;  
<http://www.cabinetoffice.gov.uk/content/major-projects-authority>

- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to V&A.
- Charity Guidance on investments CC14