

**Framework Document between the Scottish  
Government and the National Library of  
Scotland**

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## Introduction

This Framework Document has been drawn up by the Scottish Government (SG) in consultation with National Library of Scotland (NLS). It sets out the broad framework within which NLS will operate and defines key roles and responsibilities which underpin the relationship between NLS 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 2-3 years. Any proposals to amend the Framework Document either by the SG or NLS will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with NLS. Legislative provisions shall take precedence over any part of the document.

References to NLS include any subsidiaries and joint ventures owned or controlled by NLS. NLS shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.

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

## Purpose

NLS is to contribute to the achievement of the SG's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the SG's published [Economic Strategy](#) and [National Performance Framework](#).

NLS's statutory functions are set out in Section 2 of the [National Library of Scotland Act 2012](#).

NLS's strategic aims and objectives, as agreed with the Scottish Ministers, are those set out in the latest NLS Strategy approved by Scottish Ministers. These aims shall support the statutory responsibilities of NLS and Ministerial objectives and shall be such as to enable compliance with this Framework Document. As a charitable organisation, NLS is also subject to the governance requirements of the Office of the Scottish Charity Regulator (OSCR).

## Relationship between Scottish Government and National Library of Scotland

7. Effective strategic engagement between the SG and NLS 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 NLS 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 Library of Scotland (NLS) is established under the National Library of Scotland Act 2012. The constitution of NLS is set out in Schedule 1 of the Act. NLS does not carry out its functions on behalf of the Crown.

### **Ministerial responsibilities**

9. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of NLS and its use of resources. They are not however responsible for day to day operational matters, and founding legislation prevents them from directing NLS in relation to specific statutory functions. Their responsibilities include:

- Agreeing NLS's strategic aims and objectives and key targets as part of the corporate planning process
- Agreeing the budget (i.e. the total, annual budget for NLS in terms of HMT public expenditure controls) and the associated grant in aid requirement to be paid to NLS, and securing the necessary Parliamentary approval
- Carrying out responsibilities specified in the National Library of Scotland Act 2012 such as appointments to NLS's Board, approving the terms and conditions of Board members, and approving the appointment of the National Librarian / Chief Executive
- Other matters such as approving NLS's pay remit and laying the annual accounts (together with the annual report) before the Parliament.

### **NDPB Board responsibilities**

10. The NLS Board, including the Chair, normally consists of 9-14 members (including the Chair) 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, and determining the steps needed to deal with changes

which are likely to impact on these or on the attainability of its operational targets

- Promoting the efficient, economic and effective use of staff and other resources by the NDPB consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that NLS acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations
- Ensuring that effective arrangements are in place to provide assurance on risk management, 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
- Taking into account relevant guidance issued by the Scottish Ministers
- Ensuring that the Board receives and reviews regular financial information concerning the management and performance of NLS and is informed in a timely manner about any concerns regarding the activities of NLS
- Appointing, with the approval of the Scottish Ministers, the National Librarian / Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of NLS and the delivery of outcomes
- Demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making
- Fulfilling the responsibilities conferred on the Board members as trustees of a charitable organisation in accordance with OSCR requirements
- Fulfilling its role as the employer of the National Librarian / Chief Executive and staff as set out in Section 6 of Schedule 1 of the National Library of Scotland Act 2012
- Authorising functions to be delegated to the National Librarian / Chief Executive, staff or committees as set out in Schedule (1) (9) of the National Library of Scotland Act 2012.

Further guidance on how the Board should discharge its duties is provided in appointment letters and in '[On Board: A guide for Board members of public bodies in Scotland](#)'.

### **The Chair's responsibilities**

11. 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 NLS Board and the Scottish Ministers should normally be through the Chair. He or she is responsible for ensuring that NLS's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

12. 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
  - There is a regular review of the balance of skills on the Board appropriate to directing NLS business, in accordance with recognised good practice in corporate governance
  - The Board members are fully briefed on terms of appointment, duties, rights and responsibilities
  - He/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
  - The Scottish Ministers are advised of NLS's 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 National Librarian / Chief Executive.

### **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 NLS 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 NLS by the Scottish Ministers but also any other funds falling within the stewardship of NLS, including trading and investment income, gifts, bequests and donations.) General guidance on Board members' responsibilities is summarised in their appointment letters and is also provided in ['On Board: A guide for Board members of public bodies in Scotland'](#).

### **National Librarian / Chief Executive responsibilities**

15. The National Librarian / Chief Executive of NLS is employed and appointed by the Board with the approval of the Scottish Ministers. He is the Board's principal adviser on the discharge of its functions and is accountable to the Board. His role is to provide operational leadership to NLS and ensure that the Board's aims and objectives are met and NLS's functions are delivered and targets met through effective and properly controlled executive action. His general responsibilities include the performance, management and staffing of NLS. General guidance on the role

and responsibilities of the National Librarian / Chief Executive is contained in 'On Board.' 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 NLS adheres, where appropriate, to the SG'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 NLS's aims and objectives and that facilitate comprehensive reporting to the Board, the SG and the wider public
- Ensuring that adequate systems of internal control are maintained by NLS, 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 [Delegated authority](#) section of the SPFM
- Advising the Board on the performance of NLS compared with its aims and objectives
- Preparing NLS's corporate and business 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.

### **NDPB Accountable Officer responsibilities**

16. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Accountable Officer for NLS, normally the National Librarian / Chief Executive. 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 NLS's finances and that there are sound and effective arrangements for internal control and risk management

- Ensuring that the resources of NLS are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value
- Ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM
- 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.

17. It is incumbent on the National Librarian / Chief Executive, where he/she is the Accountable Officer, to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/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 Chief Executive, 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 Strategy and External Affairs as the Accountable Officer for the SG portfolio budget for NLS. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. 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 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 NLS 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 NLS 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 NLS in accordance with the strategic engagement principles
- There is effective continuous assessment and appraisal of the performance of the Chair of NLS, 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 and Heritage and Deputy Director for Culture and Historic Environment have responsibility for overseeing and ensuring effective

relationships between the SG and NLS which support alignment of NLS's business to the SG's Purpose and National Outcomes and high performance by NLS. They will work closely with the National Librarian / Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with NLS characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director for Culture and Heritage shall be responsible for assessing the performance of the NLS Chair, at least annually.

### **Sponsor unit responsibilities**

20. The SG sponsor unit for NLS is the Cultural Excellence Team. It is the normal point of contact for NLS in dealing with the SG. The unit, under the direction of the Deputy Director, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of NLS 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 NDPBs' and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and NLS
- Ensuring that appointments to the NLS 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 NLS's activities through an adequate and timely flow of appropriate information, agreed with NLS, on performance, budgeting, control and risk management
- Addressing in a timely manner any significant problems arising in NLS, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate
- Ensuring that the objectives of NLS and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems
- Informing NLS of relevant SG policy in a timely manner.

### **Internal audit**

21. NLS shall:

- Establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) 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 National Librarian / Chief Executive in his/her capacity as NLS Accountable Officer (or, where the two roles are separate, the National Librarian / Chief Executive and Accountable Officer)
- Forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including the NLS 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 NLS and notify the SG at the earliest opportunity of any unusual or major incidents.

22. The SG's Internal Audit Division has a right of access to all documents held by NLS internal auditor, including where the service is contracted out. The SG has a right of access to all NLS records and staff for any purpose where this does not contravene Data Protection legislation.

### **External audit**

23. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, NLS's 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. NLS shall send copies of all management reports (and correspondence relating to those reports) and responses to the SG as part of the submission of Audit committee papers.

24. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which NLS has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by NLS 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, NLS 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. The NDPB 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. It should comply with the Government [Financial Reporting Manual](#) (FReM) and outline the NDPB's 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 compliance with the FReM and Charities SORP) 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 NLS 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, i.e. 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. NLS shall be responsible for the publication of the report and accounts e.g. on NLS's website.

## Management responsibilities

### Strategic and corporate (annual) plans

28. NLS must ensure that a strategic plan, agreed with the Scottish Ministers, is in place and published on NLS's website. NLS 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 NLS's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how NLS contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's [National Performance Framework](#) (NPF). The strategic plan for NLS should include:

- An analysis of the environment in which NLS operates

- 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 SG's primary purpose and alignment with the NPF
- Indicators against which performance can be judged
- Details of planned efficiencies, describing how NLS proposes to achieve better value for money, including through collaboration and shared services
- Other matters as agreed between the SG and NLS.

29. The strategic plan should inform the development of a corporate plan for each financial year. The corporate plan for NLS 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 NLS's corporate 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 NDPB 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 (i.e. resource DEL, non-cash DEL (such as depreciation or impairment), 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 non-current assets — realised is less than included in the most up to date agreed budget NLS shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which NLS 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 more than estimated, you must discuss the financial impact with the sponsor team before using any excess to support additional expenditure. NLS 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 NLS or transferred to the NLS Foundation to avoid building up significant levels of reserves.

## **Cash management**

32. Any [grant in aid](#) (i.e. the cash provided to NLS 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 NLS and the requirements of the Charities SORP — 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 NLS.

33. The banking arrangements adopted by NLS must comply with the [Banking](#) section of the SPFM.

## **Risk management**

34. NLS 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 NLS audit committee is also required, at the earliest opportunity, to notify the SG Sponsor Team if it considers that it has identified a significant problem which may have wider implications.

## **Fraud management**

35. NLS 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. In addition NLS should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

## **Performance management**

36. NLS 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 corporate and business plans. The results of such reviews should be reported on a regular basis to the NLS Board and copied to the SG. The SG shall assess NLS's performance on a continuous basis and undertake a review at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the NLS Chair at least once a year.

## **NDPB staff management**

37. NLS will have responsibility for the recruitment, retention and motivation of its staff. The responsibilities toward its staff are to ensure that:

- Personnel 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 NLS's 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 NLS's objectives
- Proper consultation with staff takes place on key issues affecting them;
- Adequate grievance and disciplinary procedures are in place
- Whistle-blowing 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 — see chapter 5 of ['Public bodies: A guide for departments'](#).

## **Pay and conditions of service**

38. NLS 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. Proposals on non-salary rewards must comply with the guidance in the [Non-salary rewards](#) section of the SPFM. NLS shall comply with employment and equalities legislation. The terms and conditions of the National Librarian / Chief Executive are subject to a separate approval exercise in line with the SG Pay Policy for Senior Appointments.

## **Pensions, redundancy and compensation**

39. Superannuation arrangements for NLS staff are subject to the approval of the SG. NLS staff shall normally be eligible for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by NLS, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level. [Note that there is an exception for NDPBs covered by the PCSPS partnership arrangement, and for PCSPS by-analogy versions.]

40. Any proposal by NLS 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 [Severance, early retirement and redundancy terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and before the individual is approached and any offer made either orally or in writing.

## **Asset and property management**

41. NLS shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Management of assets](#) section of the SPFM. 'Fixed' assets should be disposed of in accordance with the [Disposal of property, plant and equipment](#) section of the SPFM. The SG's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least one month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property should comply with the [Acquisition of property](#) section of the SPFM. NLS is also subject to the [SG Asset Management Policy](#), including the requirement for any new commitments to be signed off by the Scottish Ministers. Information concerning NLS should be accurately recorded and updated as necessary by NLS on the Office of Government Commerce [electronic Property Information Mapping System](#) (e-PIMS).

## **Specific financial provisions**

### **Delegated authorities**

42. NLS's specific delegated financial authorities — as agreed in consultation between NLS and the SG — are set out in the attached Appendix. NLS shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. NLS 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 potentially high-risk, contentious or repercussive or which has or could have significant future cost implications.

### **Income generation**

43. NLS 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. Potentially high-risk 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 NLS shall be determined in accordance with the [Fees and charges](#) section of the SPFM.

44. Gifts, bequests or donations received by NLS, which happens regularly as part of normal operational activity, score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, NLS 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., NLS shall consider if there are any associated costs in doing so or any conflicts of interests arising. NLS shall keep a written record of any such gifts etc. and what happened to them.

### **Financial investments**

45. Unless covered by a specific delegated authority NLS 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 NLS. NLS shall not invest in any venture of a speculative nature.

### **Borrowing**

46. Unless otherwise specifically agreed by Scottish Ministers (for example under an HM Treasury pilot 'freedoms' scheme) borrowing cannot be used to increase NLS's spending power. All borrowing by NLS — excluding agreed overdrafts — shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, lending and investment](#) section of the SPFM.

### **Lease arrangements**

47. Unless covered by a specific delegated authority NLS shall not enter into any finance, property or accommodation related lease arrangement — including the extension of an existing lease or the non-exercise of a tenant's lease break —

without the SG's prior approval. Before entering/ continuing such arrangements NLS must be able to demonstrate that the lease 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. NLS must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

## **Tax arrangements**

48. 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. NLS 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 NLS to observe VAT legislation and recover input tax where it is entitled to do so. NLS must also ensure that it accounts properly for any output tax on sales or disposals.

## **Financial lending and guarantees**

49. Any lending by NLS must adhere to the guidance in the [Borrowing, lending and investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit NLS shall not, without the SG'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 or in International Financial Reporting Standards), 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**

50. NLS has statutory authority to make third party grants. The Appendix to this Framework Document sets a specific delegated authority beyond which NLS shall not, without the SG's prior agreement, provide grant funding to a third party. Third party grant 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 and grant in aid section of the SPFM. Grants made by NLS from income sourced outside the Government's Grant in aid may be made without seeking prior agreement from Scottish Government.

## **Impairments, provisions and write-offs**

51. 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 SG at the earliest possible point in the financial year to determine the implications for NLS's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against NLS's resource DEL budget classification and is subject to a specific delegated limit.

## **Insurance**

52. NLS 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 NLS. Specific arrangements are in place regarding objects loaned to NLS under cover of the Government indemnity Scheme. The SG will provide NLS with a Certificate of Exemption for employer's liability insurance.

## **Procurement and payment**

53. NLS's 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 NLS's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. Unless covered by a specific delegated authority any proposal to award a contract without competition (non-competitive action) must be approved in advance by the SG. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the Cabinet Secretary for Infrastructure and Capital Investment and the Cabinet Secretary for Finance, Employment and Sustainable Growth.

54. Any major investment programmes or projects undertaken by NLS 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. Major ICT

investment plans must be reported to the SG's Information Services Investment Board.

55. NLS 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 SG's target for the payment of invoices within 10 working days of their receipt.

### **Gifts made, special payments and losses**

56. Unless covered by a specific delegated authority NLS shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject 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-salary rewards](#) section of the SPFM. NLS does have statutory authority to dispose of items from its collections in specific circumstances.

### **Clawback**

57. Where NLS has financed expenditure on assets by a third party, NLS shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without the NDPB's prior consent. NLS shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds — or an appropriate proportion of them if NLS contributed less than the whole cost of acquisition or improvement. NLS shall also ensure that if assets financed by NLS 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 NLS.

### **Board expenses**

58. Allowances and expenses paid to Board members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

## Executive NDPB Model Framework Document: Appendix

### Specific delegated financial authorities

		<b>Delegated limit</b>
External business and management consultancies		50,000
Non-competitive action		50,000
Operating leases — other than property/ accommodation related leases		50,000
Gifts		1,000
Special payments		1,000
Claims waived or abandoned		10,000
Write-off of bad debt and/or losses		10,000
Others as appropriate e.g.		
Guarantees etc. outwith normal course of business		0
Loans		0
Financial investments and equity shares		0