



Ministry  
of Defence

 THE ARMED FORCES  
COVENANT FUND TRUST



## **The Armed Forces Covenant Fund Trust Framework Document (2022-2027)**

**The Ministry of Defence and the Armed Forces Covenant  
Fund Trust.**

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## Introduction

The Framework Document has been drawn up by the Ministry of Defence (MOD) in consultation with the Armed Forces Covenant Fund Trust (the Trust). It sets out the broad framework within which the Trust will operate. Copies of the document and any subsequent amendments are made available to members of the public on the Trust's website<sup>1</sup>

The Framework Document replaces all previous Management Agreements and pre-existing Framework Documents and will remain in place from 4 January 2022 until it is superseded. The Framework Document should be reviewed by both the MOD and the Trust every three years, or earlier if either party considers it appropriate. Any changes to ministerial priorities or policy requirements will be made by an exchange of letters between the Secretary of State for Defence and the Trust's Chief Executive and Chair; all other changes will be made by exchange of letters between the MOD's Permanent Secretary and the Trust's Accounting Officer. The Framework Document will be reviewed in light of these changes and updated if necessary.

The Armed Forces Covenant sets out the relationship between the Nation, the Government and the Armed Forces. It recognises that the whole of the United Kingdom has a moral obligation to the members of the Armed Forces community, and it establishes how they should be treated.

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<sup>1</sup> <https://covenantfund.org.uk/>

## **Section 1: The Armed Forces Covenant Fund Trust Purpose and Legal Status**

### **1. Purpose of the Armed Forces Covenant Fund Trust**

1.1 The Trust was established to distribute £10M per annum in perpetuity from 2015-2016 onwards in order to fund projects that support the aims of the Armed Forces Covenant and in particular projects that support the Armed Forces community locally, regionally and across the whole of the United Kingdom. In April 2018, an independent charity, the Armed Forces Covenant Trust Fund was set up to administer the Covenant Fund as a charitable trust. The Trust is registered with the Charity Commission and governed by its Trustees.

1.2 The Trust's strategic aims are:

- i. To make grants to support the Armed Forces Covenant. This Framework exists to enable that aim to be achieved in a timely, effective and transparent manner.
- ii. To ensure that the distribution of monies addresses one or more of the following themes:
  - a. Non-core healthcare services for veterans;
  - b. Removing barriers to family life;
  - c. Extra support both in and after service for those that need help; and/or
  - d. Measures to integrate military and civilian communities and allow the Armed Forces community to participate as citizens.

### **2. The Trust's classification, legal origins of powers and duties**

2.1 The Trust is administratively classified by the Cabinet Office as a Non-Departmental Public Body. It is also a charity.

2.2 The Trust's legal origins of powers and duties.

- i. As a registered charity, the Trust must comply with its Articles of Association and Trust Deed together with Charity Commission regulations.
- ii. The Covenant Fund was directed in 2015 under the 2015 (as amended in 2018) Covenant Reference Group (CRG)<sup>2</sup> Framework to establish a lasting legacy for the work and principles of the Armed Forces Covenant. It is important that funding is focussed and directed equitably, across the main constituent groups of the Armed Forces Community and across the four nations of the United Kingdom. In 2015, the CRG identified four overarching themes for the Covenant Fund (Themes) that the Covenant

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<sup>2</sup> The Covenant Reference Group is the senior official-level meeting responsible for ensuring good governance of the Covenant and sits at the heart of government to facilitate, monitor and report on the work undertaken by Government to fulfil the obligations set out in the Armed Forces Covenant, in order to improve outcomes for members of the Armed Forces community.

Fund (and now the Trust) must consider now and in future years when making decisions. However, it was understood that funding needs will change over time and therefore the Covenant Fund would consult the CRG on priorities, which will support one or more of the Themes, on an annual basis (Annual Priorities).

- iii. The strategic oversight and decision-making as to recipients of the funding from 2015 was undertaken by a panel (the Covenant Fund panel) made up of duly appointed members (Members) until February 2018. These Members are now the independent Trustees of the Trust together with new Trustees appointed for their expertise in accordance with Charity Commission best practice.
- iv. The day-to-day operation and management of the Trust is undertaken by the Trust's Executive.
- v. The 2015 (as amended annually with additional schedules including the Annual Priorities) CRG Framework governed the relationships between MOD, the CRG, the Covenant Fund Panel Members and the Executive at a strategic level and set out the broad framework of overarching principles within which the Covenant Fund would operate.

### **3. Priorities**

3.1 Alongside the specific priorities and expectations for the Trust as outlined below, the Secretary of State expects all MOD Public Bodies, where possible, to align their activities with his general priorities. The Trust will take account of these in developing the annual priorities for ratification by the CRG

3.2 The Secretary of State for Defence expects all MOD bodies to consider how their contribution will be felt by people living in all areas of the country and that the views and needs of the nation as a whole are taken into consideration when making decisions. Programmes and activity should be viewed through a UK-wide lens wherever possible and the Secretary of State for Defence would welcome engagement on how we can best deliver this agenda. The Trust should also take care to act independently and impartially, uninfluenced by political campaigning.

3.3 As a public body, the Ministry of Defence (MOD) is legally required to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) – to eliminate discrimination, harassment and victimisation, to advance equality of opportunity and to foster good relations. The Trust will support the MOD in complying with the Equality duty. The purpose of the Equality Duty is to ensure fairness in the day-to-day business and decisions of public bodies to improve the outputs for our people. To support Defence to deliver the most effective outputs and for the decisions to have the intended positive impact, people considerations need to be at the heart of decision-making and Defence outputs. To effectively consider the Equality Duty across Defence outputs and decisions the Trust should engage with AFPSp who can provide access to the Equality Analysis Toolkit and other helpful resources.

3.4 The Secretary of State for Defence will clearly communicate to the Trust any further priorities for the period of the agreement relating to the running of and corporate management of the Trust as a Non-Departmental Public Body.

3.5 In addition, the Trust takes the following steps to manage how it operates across each financial year:

- i. The Trust will take into account a number of Annual Priorities (evidence-based funding priorities for future programmes) in each annual cycle of funding.
- ii. Such Annual Priorities will be mutually agreed between the Trust and the MOD by no later than March in advance of each financial year.
- iii. In order to identify the Annual Priorities, the Trust must consult with members of the CRG, AFPSp and other key stakeholders in the summer of each financial year and prepare initial proposals based on such consultation and available evidence of impact demonstrated by the Outcomes Measurement Framework and ongoing research findings from all relevant sources. These evidence-based proposals will take into account the need to ensure value for money, potential impact and the resources available to deliver new programmes.
- iv. These initial proposals for Annual Priorities will be submitted to the CRG for full discussion at the meeting held in the autumn each year and the CRG will provide its thoughts and feedback to the Trust before the end of each year.
- v. This feedback will be considered by the Trustees and a paper with detailed but draft proposals suggesting Annual Priorities for the following financial year, the policy behind such recommendations, the delivery method and the intended impact will be submitted to the meeting of the CRG held each spring.
- vi. At that meeting, the CRG will discuss the draft proposals for Annual Priorities in detail and make further suggestions and/or agree Annual Priorities based on those proposals. If the CRG wishes to make further amendments or suggestions, then it will provide that written feedback to the Trust within two weeks and the draft proposals amended as appropriate (Final Proposals) will be agreed by correspondence and before the start of the new financial year. These Final Proposals will be agreed with the Trust as the Annual Priorities for the relevant financial year.

## **4. Principles**

4.1 The Trust will make grants to organisations in response to applications and the grants will be allocated according to clear, set and transparent criteria following a

decision-making process agreed in advance with the Trustees<sup>3</sup>. These procedures and processes should be designed to avoid creating a system of allocation that could be construed as being unfair, random or arbitrary and should ensure that those involved in making decisions avoid any actual or perceived conflicts of interest.

4.2 The Trust will refer to the Charity Commission's general guidance on public benefit when reviewing aims, objectives and future activities. These future plans will build on advice from stakeholders, research relating to the Armed Forces community and other expert advice and evidence. Grant programmes are also required to actively promote future sustainability among those beneficiaries receiving grant funding.

4.3 The distribution of funds should, over time, meet the needs identified by the Trustees based on the views of the MOD [and others such as the CRG] and fund projects that engage and involve serving personnel, veterans and their families, in particular:

- i. The need for the Trust to achieve the distribution of funds to a reasonably wide spread of recipients (by geography, theme and/or recipient) in the United Kingdom and overseas (where there is a serving UK and/or veteran population) and to have regard to the specific objectives of the Devolved Administrations.
- ii. The need to operate within the distinctive context of other Government and charitable provision for serving personnel, veterans and their families and by action complement and add value in appropriate ways with the aim of delivering one or more of the Themes.
- iii. The need to ensure, where relevant, that as far as possible that funded projects can be self-sustaining and continue to provide benefits to the recipients after the funded project has been completed or in the case of a large capital project for a period of at least 10 years from completion.

4.4 Partnership working should be encouraged and in particular where this produces greater community integration and/or sustainability.

4.5 The funding of projects should support collaborative action between funded organisations and public, private and civil society partners where relevant.

4.6 Innovative methods can be supported provided risk can be seen to be managed to a reasonable level.

4.7 Funding can be targeted at a local level to specific locations and to regional or national projects where there is an identifiable need.

4.8 Projects that are essentially only commemoration projects will not be funded, although projects may, if the outcomes are primarily and demonstrably around

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<sup>3</sup> Each specific grant programme has bespoke programme guidance that charities need to adhere to when receiving funding. The Trust will communicate this guidance in an open and transparent manner on the Trust's website when programmes open.

supporting and encouraging community integration, be eligible, even if part of the project includes the remembrance or commemoration of important national events.

4.9 Funding provided by the Trust must adhere to Intellectual Property Rights, laws and policy as is appropriate for the development of grant funded assets.

## **5. Performance Metrics and Evaluation**

5.1 Performance Metrics (KPIs) will be mutually agreed between the Trust and the MOD. These Performance Metrics are detailed in full view in **Annex A** of this Framework Document.

5.2 These performance indicators may be reviewed over the duration of this Framework Document.

5.3 Key milestones should be agreed with the AFPSp.

5.4 Evaluation is a key part of the policy/programme cycle. It is important to consider appropriate evaluation measures for each programme, taking into account that external evaluation costs have to be taken from the budget available for distribution to grant recipients and is not funded as an operational cost within the 8% cap. Proportionality should be considered on risk, cost and learning potential.



## **Section 2: Governance and Accountability**

### **6. Ministerial accountability**

6.1 The Secretary of State and Min(DPV) account for the Trust's business in Parliament.

6.2 The Secretary of State and Min(DPV) is:

- i. Responsible for the policy framework within which the Trust operates;
- ii. Provides guidance and direction to ensure the strategic aims and objectives of the Trust are consistent with those of the department and government;
- iii. Approves the Trust corporate plan and business plan;
- iv. Has the power of approval in relation to the appointment of the Trust's Chair, in line with the Governance Code on Public Appointments;
- v. Has the power of approval in relation to Trustees, in line with the Governance Code on Public Appointments; and
- vi. Has the power of approval in relation to the Trust's Chief Executive.

### **7. MOD Accounting Officer's specific accountabilities and responsibilities as Principal Accounting Officer.**

7.1 The MOD Permanent Secretary, as Principal Accounting Officer (PAO) of the MOD, has designated the Chief Executive as the Trust's Accounting Officer. The respective responsibilities of the PAO and Accounting Officers are set out in Chapter 3 of Managing Public Money, which is sent separately to Chief Executives by the MOD Permanent Secretary on appointment of the Chief Executive as the Accounting Officer.

7.2 The PAO is accountable to Parliament for the issue of any grant-in-aid to the Trust. The PAO is also responsible for advising the responsible minister:

- i. On an appropriate framework of objectives and targets for the Trust in light of the Department's wider strategic aims and priorities;
- ii. On an appropriate financial allocation for the Trust in the light of the MOD's overall public expenditure priorities; and
- iii. The Trust's performance in achieving its strategic objectives and delivering value for money.

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

- i. Monitor the Trust's activities;

- ii. Address significant problems in the Trust, making such interventions as are judged necessary;
- iii. Periodically carry out an assessment of the risks both to the department and the Trust's objectives and activities;
- iv. Inform the Trust of relevant government policy in a timely manner; and
- v. Bring concerns about the activities of the Trust to the full Trust Board and, as appropriate to the departmental Board requiring explanations and assurances that appropriate action has been taken.

7.4 AFPSp is the primary contact for the Trust. It is the main source of advice to the responsible minister on the discharge of their responsibilities in respect of the Trust. It also supports the PAO on their responsibilities toward the Trust.

## **8. Responsibilities of the Trust Accounting Officer**

8.1 The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in handling of those public funds; and for the day-to-day operations and management of the Trust. In addition, they should ensure that the Trust 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 (at the time of writing) Box 3.1 of Managing Public Money<sup>4</sup>.

### **Responsibilities to Parliament**

8.2 The Accounting Officer's responsibilities include:

- i. Signing the accounts and ensuring that proper records are kept relating to these accounts and that they are properly prepared and presented in accordance with charity law, Treasury Guidance and any directions issued by the Secretary of State of Defence;
- ii. Preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- iii. Ensuring that effective procedures for handling complaints about the Trust are established and made widely known within the Trust;
- iv. Acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the MOD, HMT and Cabinet Office; and

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994901/MPM\\_Spring\\_21\\_without\\_annexes\\_180621.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21_without_annexes_180621.pdf)

- v. Giving evidence, normally with the MOD PAO, when summoned before the Public Accounts Committee on the Trust's stewardship of public funds.

### **Responsibilities to MOD**

8.3 The Accounting Officer's Particular responsibilities to MOD include:

- i. Establishing, in agreement with the MOD, the Trust's corporate and business plans in the light of the Department's wider strategic aims and agreed priorities;
- ii. Informing the MOD of progress in helping to achieve departmental policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- iii. Ensuring that timely forecasts and monitoring information on progress and finance are provided; that the Department is notified promptly if overspends or underspends 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 department in a timely fashion.

### **Responsibilities to the Trust's Board**

8.4 The Accounting Officer has a duty to:

- i. Ensure that the Board and Executive understands the roles and responsibilities of the Accounting Officer as set out in this document, in the founding documents and in any other relevant instructions and guidance that may be issued from time to time;
- ii. Report performance to the Trust's Board compared with its aims and objectives;
- iii. Ensure that the Board is aware of the financial considerations which must be taken into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- iv. Take action as set out in paragraph 3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction that the Accounting Officer considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility or is unethical, ensuring that the Board has the necessary information, provided in a timely manner, to monitor and assess the public body's compliance with Managing Public Money.

## **Responsibilities as Chief Executive**

8.5 The Trust's Executive (Accounting Officer) is responsible for the day-to-day operations and management of the Covenant Fund and their responsibilities include:

- i. Maintaining a register of the interests of the Trustees and Executive and ensuring that arrangements are in place for dealing with any conflicts of interest;
- ii. Running a grant-making process including setting criteria for the application and assessment process
- iii. Proper assessment and financial appraisal, issuing grant offers with robust terms and conditions, ensuring the payment of grants and subsequent processes for monitoring and evaluation of funded projects in a timely manner;
- iv. Implementing internal processes designed to minimise the risk of fraud;
- v. Ensuring that all internal processes meet with internal and external audit requirements;
- vi. Producing portfolios of fundable projects to enable the Trustees to make fully informed decisions on grant awards;
- vii. Providing reports and evaluations of the funded projects and their achievements for external stakeholders, grant recipients and the Trustees;
- viii. Providing information on the performance of the Covenant Fund for the Armed Forces Covenant Annual Report and all other appropriate requests for information;
- ix. Ensuring that the Covenant Fund and its achievements are communicated widely to all appropriate audiences, working closely in conjunction with MOD's Directorate of Defence Communications;
- x. Working closely together at all times with the AFPSp; and
- xi. Approaching members of the CRG (or a nominated representative) for their views on emerging Priorities on a regular basis.

## **9. The Trust's Board**

9.1 Notwithstanding the Accounting Officer's personal responsibilities, the Board is the principal governing body within the Trust. As such it is responsible for:

- i. Establishing and taking forward the strategic aims and objectives of the Trust within its regulatory framework and policy framework determined by the Secretary of State for Defence;

- ii. Overseeing, and holding to account, the day-to-day leadership of the Trust;
- iii. Ensuring that adequate governance, audit and control systems are in place to ensure statutory and administrative requirements are met, including that the Trust operates within its statutory authority and delegated authority given by the MOD, in accordance with any other conditions relating to the use of public funds, charity law; and that, in reaching strategic (but not individual grant) decisions, the Board takes into account guidance issued by MOD;
- iv. Monitoring and ensuring the effective management of risk, including reputational risk, and communicating these to the MOD;
- v. Ensuring that the responsible Minister is kept informed of any changes that are likely to impact on the strategic direction of the Trust's Board or on the attainability of its targets, and determining the steps needed to deal with such changes;
- vi. Maintaining adequate oversight of the Trusts activities, in particular its finances, to ensure that public money is spent with probity in accordance with government policy and guidelines; and
- vii. Appointing, with the MOD Secretary of State and Min(DPV) approval, a Chief Executive and, in consultation with the MOD, set performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use and utilisation of public resources.

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

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

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

- i. Formulating the Board's strategy;
- ii. Ensuring that the Board, in reaching strategic decisions, takes proper account of guidance provided by the responsible Minister or the Department;
- iii. Promoting the efficient and effective use of staff and other resources;
- iv. Delivering high standards of regularity and propriety;
- v. Representing the views of the Board to the general public; and

- vi. A commitment to diversity, inclusion and equality.

10.3 The Chair also has an obligation to ensure that:

- i. The work of the Board and its Trustees are reviewed and are working effectively;
- ii. The Board considers the effectiveness of the Trust's governance in light of the Corporate Governance Code or Government Code of Good Practice for Corporate Governance;
- iii. The Board has a balance of skills appropriate to directing the Trust's business, as set out in the Government Code of Good Practice for Corporate Governance;
- iv. Trustees are fully briefed on terms of appointment, duties, rights and responsibilities and new members are effectively inducted;
- v. Trustees receive appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- vi. The Board complies with the principles in the Governance Code on Public Appointments when selecting candidates for appointment as Independent Trustees;
- vii. There is a Board Operating Framework in place setting out the roles and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance or the Board and its sub-committees have suitable Terms of Reference/proceedings in place; and
- viii. There is a code of practice for Trustees in place, and formally adopted by Trustees, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

10.4 In line with best practice, the Chair's performance will be appraised annually by MOD, factoring the views of Trustees and the Chair's self-appraisal.

## **11. Individual Board Members' responsibilities**

11.1 Individual Trustees should:

- i. Comply at all times with the Code of Conduct for Board Members of Public Bodies, the Nolan principles, and with rules relating to the use of public funds and conflicts of interest;
- ii. 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;

- iii. Comply with the Board' rules on the acceptance of gifts and hospitality, and of business appointments;
- iv. Act in good faith and in the best interests of the Trust;
- v. Act at all times in accordance with this Framework Document, its Declaration of Trust, its Articles of Association, charity law, company law and all other relevant legislation;
- vi. Ensure that there are proper administrative and financial procedures in place for the distribution of the funding;
- vii. Make decisions as to which organisations shall receive funding from the Covenant Fund;
- viii. Monitor and review the performance of the Covenant Fund against the Themes and Annual Priorities;
- ix. Monitor and review the performance and success of funded projects including considering the value for money generated by such projects based upon reports produced by the Trust's Executive;
- x. Monitor and review performance of the Trust's Executive in delivering on the Themes and Annual Priorities on an annual basis;
- xi. Ensure that the Annual Priorities are considered on a continuous and cumulative basis;
- xii. Support as far as possible appropriate communications relating to the Covenant Fund and funded projects; and
- xiii. Report back to the MOD and CRG on performance of the above responsibilities.

## **12. MOD's responsibilities**

12.1 The MOD will provide the sum of £10M annually<sup>5</sup> under the terms of a Grant-in-Aid agreement. The grant will be reported in accordance with the requirements of the grant agreement.

12.2 AFPSp and the Trust will work closely together at all times and in accordance with the terms of the MOU signed by both parties and annexed to the 2015 CRG Framework (as amended in 2018).

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<sup>5</sup> An annual uplift to reflect inflation will be negotiated.

12.3 AFPSp work closely with the Trust and other stakeholders to consider proposed Annual Priorities for the Trust in a timely manner.

### **13. The Covenant Reference Group's responsibilities**

13.1 The CRG should advise the Trust on potential Annual Priorities based on the Covenant Annual Reports, the UK Strategy for our Veterans and the Armed Forces Families Strategy and any developing cross-government themes.

13.2 The CRG will take part in the consultation process for Annual Priorities in accordance with the agreed process.

13.3 The CRG will request an Annual Report from the Trust on the distribution of funds against each Priority to be submitted to the meeting of the CRG that follows the end of each financial year.

### **14. The Sponsor**

14.1 For most Arm's Length Bodies, including the Trust, the Permanent Secretary selects a Sponsor to act on their behalf. For the Trust, the Sponsor is the Hd AFPSp. The Sponsor is the team primarily responsible for managing the interface between the MOD and the Trust, in terms of the Trust's effective corporate performance, and to champion its impact. They are the main source of advice to the Responsible Minister on the discharge of their responsibilities in respect to the Trust, and support Defence's Principal Accounting Officer in their responsibilities toward the Trust.

14.2 The Sponsor is responsible for:

- i. On behalf of the Permanent Secretary, holding the Chief Executive to account for delivery of the Corporate Plan, objectives and targets within it, and the Trust's efficient, safe and effective operation, in line with agreed policy constraints and delegations;
- ii. On behalf of the Permanent Secretary, holding the Chair to account for leadership of the Board and the Board's effectiveness;
- iii. On behalf of the Responsible Minister, holding the Chair and Chief Executive to account for support required by the Minister in their Ministerial duties or in relation to their Parliamentary accountability;
- iv. Delegating authority to the Chief Executive to commit Defence funds towards the achievement of the Trust's objectives, captured in the Budget Holder Letter of Delegation;
- v. Providing advice and support to the Chief Executive and Chair and providing their link into the Department and wider government;
- vi. Representing Defence's interests in the Trust at Defence boards and decision-making fora;



- vii. Promoting policies and change within Defence that would support the Trust in delivering its objectives;
- viii. Monitoring the Trust's compliance with Functional Leadership and Defence policy in delivery of their business; and
- ix. Recommending to the Responsible Minister individuals for appointment to the role of the Trust's chair.

14.3 All submissions from the Trust to the Responsible Minister are copied to the Sponsor.

14.4 The MOD's Directorate of Sponsorship and Organisational Policy provides day-to-day support to the Sponsor and the Trust.

## **15. Corporate Governance**

15.1 The Board is responsible for ensuring that the Trust has adequate systems and controls in place including appropriate schemes of delegation, and that these are suitably assured/audited.<sup>6</sup>

### *Appointment of Chief Executive*

15.2 The Chief Executive is appointed by the Trust's Board, consulting the responsible Minister and Principal Accounting Officer, as required. A MOD representative will sit on the appointments panel.

### *Composition of the Board*

15.3 In line with the founding documents and, where applicable, the Government's Corporate Governance Code for Central Government Departments: Code of Good Practice, the Board will consist seven Trustees, who are executive members from HMG or Devolved Administrations and have that have a balance of skills and experience appropriate to directing the Trust's business; and up to eight independent Trustees recruited through an open process; with one trustee appointed as the independent chair. The Trust should put in place reasonable strategies to attract, recruit and retain diverse membership of the Board, with the goal of having a Board that is broadly representative of the makeup of contemporary British society and which draws fully on the different skills and perspectives our whole country has to offer.

### *Governance of the Trust*

15.4 The Trustees will make all the decisions (or put in place regular and proper delegated arrangements) as to the recipients of funding. Up to 15 Trustees may be appointed at one time.

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<sup>6</sup> The Trust does not have a Corporate Plan as this is in effect incorporated into the Annual Plan set by the Covenant Reference Group and Board of Trustees.

15.5 The Trust Board will ensure that the views of the MOD, HMT, OVA, and the Devolved Administrations in Wales, Scotland and the Northern Ireland Executive (or Office) are fully represented on the Trust Board. In addition, the Trustees will ensure that the views of the serving personnel, veterans and their families, the regional needs of the Armed Forces community and the charitable sector, are represented.

15.6 Additional expertise and specialist knowledge will be ensured by the appointment of Trustees who will bring to the Trust Board expertise in, including but without limitation, grant making, audit, investment and finance, academia and Human Resources.

15.7 The Trust shall operate governance arrangements that, so far as practicable and in light of other provisions of this Framework Document or as otherwise may be mutually agreed, accord with good governance practice and applicable regulatory requirements and expectations.

15.8 In particular (but without limitation), the Trust should:

- i. Comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice (as amended and updated from time to time) to the extent appropriate and in line with their statutory duties or specify and explain any non-compliance in its annual report;
- ii. Comply with Managing Public Money; and
- iii. In line with Managing Public Money have regard to the relevant Functional Standards as appropriate and in particular those concerning Finance, Commercial and Counter Fraud.

15.9 In line with Managing Public Money Annex 3.1, the Trust shall provide the account of corporate governance in its annual governance statement including the Board's assessment of its compliance with the Code with explanations of any material departures. To the extent that the Trust does intend to materially depart from the Code, the MOD should be notified in advance and its agreement sought to this approach.

## **16. Risk Management**

16.1 Overall responsibility for managing risks lies with the Board. The Board should take into account any risk appetite directions given by MOD. Recognising that MOD Ministers are ultimately accountable to Parliament for issues that crystallise, the Board should share its assessment of risk regularly with MOD, and explicitly escalate risks that are beyond the Trust's risk appetite or ability to effectively mitigate.

16.2 The Trust shall develop a risk management strategy in accordance with the Treasury "Orange Book" Management of Risk: Principles and Concepts<sup>7</sup>. It should

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/866117/6.6266\\_HMT\\_Orange\\_Book\\_Update\\_v6\\_WEB.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF)

adopt and implement policies and practices to safeguard itself against all aspects of financial crime, including but not limited to fraud, bribery and corruption, in line with the Counter Fraud Standard Gov S 013<sup>8</sup>.

16.1 The Trust 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 which it will give grant or grant-in-aid.

16.2 The Trust should ensure that MOD has oversight of risks in the Trust and across the portfolio by collating information provided and assessing the degree of risk and appropriateness of mitigative actions planned or taken.

## **17. Cyber Security**

17.1 As part of its approach to risk management and information assurance, the Trust must ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss, reputational damage and cyber threat. The level of provision must be proportionate to the Trust's size and the level of risk it carries in terms of cyber vulnerability. The Trust should refer to the Cyber Security Guidance for Business<sup>9</sup>.

17.2 As a minimum, the Trust must take reasonable steps to ensure it has basic cyber security controls in place. These must be at least at the level set out in the Cyber Essentials scheme. Departmental officials can offer further guidance and support as required.

17.1 Any production IT systems must meet with the National Cyber Security Centre's (NCSC) guidance<sup>10</sup>.

## **18. Corporate plan**

18.1 The Trust does not produce a Corporate Plan. It is instead required to deliver on its Annual Priorities, which agreed by the Covenant Reference Group and the Board of Trustees. However, to ensure advice from the Managing Public Money guidance is adhered to, the KPIs agreed by the Trust and the Sponsor Department in each year will factor in the following where appropriate:

- Key objectives and associated key performance targets, and the Strategy for achieving those objectives;
- Key relevant non-financial performance targets;
- A review of performance in the preceding financial year, together with comparable outturns in the previous two years,

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<sup>8</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/894811/Counter\\_Fraud\\_Functional\\_Standard.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894811/Counter_Fraud_Functional_Standard.pdf)

<sup>9</sup> <https://www.ncsc.gov.uk/section/advice-guidance/all-topics>

<sup>10</sup> <https://www.ncsc.gov.uk/section/information-for/public-sector>.

- An assessment of any risk factors that may significantly affect the delivery of the Annual Priorities; and
- Other matters agreed between the Sponsor Dept and the ALB.

## Section 3: Management and Financial Responsibilities

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

#### 19.1 Schemes of delegation and Controls

19.2 The Trust receives public money, for which it is right that citizens expect standards of probity, accountability and control to be upheld.

19.3 It is the Board's responsibility to oversee effective controls, governance, processes and procedures to safeguard the public money to which it is entrusted. In particular, these controls must uphold:

- i. the principles, rules, guidance and advice in *Managing Public Money*<sup>11</sup>; and
- ii. the delegations set out in the Trust's delegation letter.

19.4 A list of guidance and instructions with which the Trust should comply is in **Annex B**.

19.5 Approval by MOD of budgets, business plans or more general documents shall not remove the need to seek formal, explicit written approval from MOD where any proposed expenditure is outside specific delegated limits, including:

- i. entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Trust's annual budget as approved by the Department (such as that requiring government approval under a Cabinet Office or HMT Pay control);
- ii. incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- iii. making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- iv. redirecting funding provided by the Department for one purpose to other purposes;
- v. borrowing money; or changing banking provider; and
- vi. making any change of policy or practice that has wider financial implications, which might prove repercussive, or which might significantly affect the future level of resources required; and

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<sup>11</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994901/MPM\\_Spring\\_21\\_without\\_annexes\\_180621.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21_without_annexes_180621.pdf)

- vii. Carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## 20. Grant-in-Aid and ring-fenced grants

20.1 The Trust has the authority to veer funds between expenditure type without recourse to the MOD, provided this does not result in a breach of the agreed control that non-grant expenditure is not to exceed 8% (plus any agreed inflationary increase in operating costs) of the £10M total budget.

20.2 The general principle is 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 Trust. Grant-in-Aid is spread across the financial year, depending on submission of invoices from the Trust to the MOD.

20.3 Any Grant-In-Aid not paid to the Trust by the end of the financial year will lapse, but any unspent Grant-In-Aid may be carried over to the following year, but the amount of funding requested must be reduced in the following financial year. The MOD budget teams must monitor any unspent GIA relating to the 92% of the grant provided for the purposes of grant giving. Subject to approval by Parliament of the relevant Estimates provision, where Grant-in-Aid is delayed avoiding excess cash balances at the year-end, the Department 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. Further details on Grant-in-Aid can be found in **Annex B**.

## 21. Internal audit

21.1 The Trust shall:

- i. establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS);
- ii. ensure the sponsor department is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
- iii. set up an audit committee of its Board in accordance with the Code of Good Practice for Corporate Governance<sup>12</sup> and the Audit and Risk Assurance Committee Handbook;

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<sup>12</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/609903/PU2077\\_code\\_of\\_practice\\_2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/609903/PU2077_code_of_practice_2017.pdf)

- iv. forward the audit strategy, periodic audit plans and annual audit report, including the Trust's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the sponsor department;
- v. have effective controls to prevent fraud and theft;
- vi. report to AFPSp any and all instances of suspected, attempted and/or successful fraud, error and bribery & corruption, irrespective of the amount involved, and notify the Department of any such incidents as soon as they are discovered; and
- vii. keep records of and prepare and forward to the department an annual report on fraud and theft suffered by the Trust and notify the sponsor department of any unusual or major incidents as soon as possible.

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

## **22. External audit**

22.1 The Body's accounts shall be audited by an independent auditor appointed by the Trustees. The annual audited accounts will be signed by the Chair and the Chief Executive after acceptance by the Board.

22.2 The auditor shall also examine the economy, efficiency and effectiveness with which the Trust has used its resources to carry out the tasks at Paragraph 4 and the procedures adopted to comply with the principles of Managing Public Money and for the prevention of fraud.

22.3 The accounts of the Trust may be subject to audit by the NAO if so, designated by HM Treasury under the terms of the Government Resources and Accounts Act 2000.

22.4 The MOD 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 Trust;

22.5 The Comptroller and Auditor General (C&AG) may carry out examinations into the economy, efficiency and effectiveness with which the Trust has used its resources in discharging its functions. For the purpose of these examinations the C&AG has a statutory entitlement to access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Trust 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.

## Right of access

22.6 Subject to any overriding legal rights or obligations, the MOD has the right of access to all the Trust's records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

## **23. Annual report and accounts**

23.1 The Trust Board must publish an annual report of its activities together with its audited accounts after the end of each financial year. The Trust shall provide the department its finalised (audited) accounts by September each year.

23.2 The annual report must:

- i. cover any corporate, subsidiary or joint venture under its control;
- ii. comply with the Treasury's Financial Reporting Manual (FReM) and Charities Statement of Recommended Practice;
- iii. outline main activities and performance during the previous financial year and set out in summary form forward plans; and
- iv. reference any and all incidences, and provide values for, all monies lost to financial crimes, including but not limited to fraud, error and bribery and corruption, during the previous financial year.

## **23. Staff**

### **Broad responsibilities for staff**

24.1 Within the arrangements approved by the responsible minister the Trust will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- i. The rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement are based on merit: there is no discrimination on grounds of age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex; sexual orientation;
- ii. 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;
- iii. The performance of its staff at all levels is satisfactorily appraised and the Trust's performance measurement systems are reviewed as appropriate;
- iv. Its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Trust's objectives;



- v. Proper consultation with staff takes place on key issues affecting them;
- vi. Adequate grievance and disciplinary procedures are in place;
- vii. Whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and
- viii. A code of conduct for staff is in place based on the Cabinet Office's Model Code for Staff of Executive Non-departmental Public Bodies.

## **Staff Costs**

### **Pay and conditions of service**

#### **The Trust is responsible for the employment and remuneration of its staff.**

24.2. Senior staff with significant financial responsibility must be on the payroll (permanently employed) and not engaged on a consultancy basis, unless there are exceptional temporary circumstances, which must be agreed by the Trust's Accounting Officer and shall not exceed a period of six months.

24.3. The Trust is responsible for ensuring that any temporary off-payroll workers employed are paying tax and NIC contributions appropriate to their remuneration by the body.

24.4. The travel expenses of Trustees shall be tied to the rates allowed to senior staff of the Trust. Reasonable actual costs shall be reimbursed.

### **Pensions, redundancy and compensation**

24.5. The Trust staff shall normally be eligible for a pension provided by its own scheme.

24.6. The Trust does not have a certificate of exemption from Employers' Liability Insurance and is therefore required to obtain Employers Liability Insurance.

## **25. Arrangements for the dissolution of the Trust**

25.1 For organisations that it is anticipated may close, consideration should be given as to what expectations are set, for example:

- i. Employment contracts should not expose HMG to undue costs if redundancies are inevitable;
- ii. Commercial contracts should have the potential to be novated;
- iii. Data and privacy agreements should foresee control passing to HMG or another public body;

- iv. Intellectual property rights may need to be protected or retained; and
- v. The identification and collection of any monies lost to financial crime/irregular use, prior to dissolution, now classified as “Debt”.

## **Section 4: Working with the Ministry of Defence**

### **26. Reporting to the department**

26.1 The Trust will share its board-level reporting on financial and non-financial performance, including performance in helping to deliver the Minister's policies, and the achievement of key objectives at least quarterly if requested. The Trust's performance shall be formally reviewed by the department at a minimum of once per annum. The responsible minister should aim to meet the Chair once a year.

26.2 The Trust shall provide the sponsor department with such information about its operations, performance, individual projects or other expenditure as the sponsor department may reasonably require.

### **Financial Information**

26.3 As a minimum, the Trust shall provide the department with information on a quarterly basis that will enable the department to monitor:

- i. The Trust's cash management;
- ii. Its draw-down of grant-in-aid;
- iii. Forecast outturn by control totals; and
- iv. Statement of compliance.

### **Management and technical information**

26.4 The Trust will provide regular information on counter-fraud as set out in **Annex C**.

26.5 At times the MOD will reasonably request information on an ad-hoc basis that the Trust must (and within a reasonable timescale required by MOD) supply.

### **Communications**

26.6 The Trust will proactively sight MOD on announcements, events and publications that are controversial or otherwise likely to attract significant media interest.

### **27. Trust/Department working level liaison arrangements**

27.1 Performance, issues and risks will be discussed regularly between the AFPSp and Trust staff. Relevant officials from the MOD Finance, Commercial and/or Public Bodies teams may attend accountability meetings as necessary.

27.2 In the event of performance, reputational or compliance issues, MOD and the Trust will work to resolve these promptly. In the event of severe and/or prolonged

issues, concerns will be escalated between the Trust's Accounting Officer and/or Chair and the MOD's Principal Accounting Officer.

## **28. Resolution of disputes between the Trust and MOD**

28.1 MOD and the Trust will aim to work in partnership and deal with any disagreements/disputes that arise in a pragmatic, outcome focussed manner. Each party will endeavour to identify emerging issues as early as possible, and to communicate these openly to each other through the most appropriate route of engagement, respecting the roles of the Board and Sponsor to prevent significant disputes arising. If this is not possible, then a formal process overseen by the Director General with responsibility for the Sponsor, will be used to resolve the issue. If the dispute remains unresolved, the Senior Sponsor may then choose to ask the Permanent Secretary to nominate a non-executive member of the MOD's Board to review the dispute, mediate with both sides and reach an outcome, in consultation with the Secretary of State.

## **29. Working with the AFPSp**

29.1 The MOD and the Trust will facilitate close working relationships between the AFPSp and the Trust at all times, to include meetings bi-monthly, joint attendances at key conference/seminars, provision of all information on request especially if needed for Parliamentary Questions and in support of the Covenant Annual Reporting process.

29.2 The Trust will provide grant reports and good news stories; support the MOD in responding to Freedom of Information requests and media enquiries and keep the MOD informed of any potential reputational issues arising that come to the Trust's knowledge.

29.3 The Trust will invite a AFPSp representative to attend Trustee meetings when grant decisions are to be made.

## **30. Working with Military-Civilian Integration Officers and Army Regional Command**

30.1 AFPSp will facilitate and support the working relationship between the Trust and the Military-Civilian integration officers (MCIs) / Army Regional Command for their continuing role in supporting the Armed Forces Covenant through the provision of promotion, dissemination, assessment and support for applicants and grant holders.

## **31. Communications/ Logo/ etc.**

31.1 The Trust will at all times use all best endeavours to promote the Armed Forces Covenant.

31.2 This will include providing information and advice on the Armed Forces Covenant and promoting the efficiency and effectiveness of the charities and statutory authorities that support the Armed Forces Covenant.

31.3 The MOD will licence the use of the Armed Forces Covenant logo to the Trust for its own purposes and for the use by all grant recipients on mutually agreed terms and conditions.

31.4 The Trust will use the logo only in accordance with the MOD's directions.

31.5 The Trust has its own brand identity; sitting alongside the Covenant Fund logo.

31.6 The Trust will provide links to Gov.UK and the Armed Forces Covenant website through its own website and published materials (and MOD to do likewise, linking to Trust's website).

31.7 The Trust and MOD's Directorate of Defence Communications (DDC) will work jointly and separately to ensure a uniform approach to all communications around the Armed Forces Covenant.

31.8 The Trust and MOD's DDC will agree a common approach and process for the production and frequency of case studies and good news stories.

31.9 MOD's DDC will invite the Trust to attend relevant external Covenant Stakeholder Communications groups.

## **32. Freedom of Information requests**

32.1 Where a request for information is received by either party under the Freedom of Information Act 2000, or a request is made in exercise of a right under the UK General Data Protection Regulation or Data Protection Act 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

## **33. Reporting on legal risk and litigation**

33.1 The Trust shall provide a quarterly update to the MOD on the existence of any active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the MOD in a timely manner.

33.2 In respect of each substantial piece of litigation involving the Trust, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the MOD to facilitate this. Until such time as a protocol is agreed, the parties will ensure that:

- i. Material developments in the litigation are communicated to the MOD in an appropriate and timely manner.
- ii. Legally privileged documents and information are clearly marked as such.
- iii. Individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and

- iv. Circulation of privileged information within government occurs only as necessary.

## **Section 5: Review of the Trust**

### **34. Arrangements in the event that the Trust is wound up**

34.1 Should circumstances require the dissolution of the Trust, the Trust will assist MOD in ensuring that arrangements are put in place to ensure the orderly wind-up of the Trust as a Non Departmental Public Body and that funds which have been made available from public funds are protected and used for the purposes for which they were given to the Trust.

### **35. Duration of the Framework Document**

35.1 This Framework Document shall be reviewed by the MOD at any time, with the assistance of Trust, but at a minimum this should take place at three yearly intervals, and when a new Chief Executive is appointed if required. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

35.2 Effective Date: This Framework will take effect from January 2023. The next scheduled review of this document shall take place no later than January 2025.

### **36. HMG Review of Public Bodies**

36.1 Regular assurance and challenge for good governance and efficiency of public bodies is central to the government's public bodies transformation programme. The tailored review guidance<sup>13</sup> sets out the principles for government departments to use when reviewing public bodies. The principles aim to ensure public bodies remain fit for purpose, well governed and properly accountable for what they do.

36.2 Tailored reviews have the following aims:

- i. To provide a robust challenge to and assurance on the continuing need for individual organisations – both their functions and form; and
- ii. Where it is agreed that an organisation should be retained, to review:
  - a. Its capacity for delivering more effectively and efficiently, including identifying the potential for efficiency savings, and where appropriate, its ability to contribute to economic growth. The review should include an assessment of the performance of the organisation or assurance that processes are in place for making such assessments; and
  - b. The control and governance arrangements in place to ensure that the organisation and its sponsor are complying with recognised principles of good corporate governance. These principles will vary according to the public body under review and departments should consult the relevant guidance.
  - c. Tailored reviews will be carried out every five years rather than three.

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<sup>13</sup> [Tailored Review Guidance on public bodies -May-2019.pdf \(publishing.service.gov.uk\)](#)

## List of Annexes to the Framework document

**Annex A:** Performance Indicators (KPIs)

**Annex B:** Financial Responsibilities

**Annex C:** Compliance with government-wide corporate guidance and instructions.

Signed 

Date **23/011/2022**

**Lt Gen James Swift, Chief of Defence People**

(On behalf of the MOD).

Signed 

Date **23/11/2022**

(On behalf of the Armed Forces Covenant Fund Trust)



## **Annex A: Performance Indicators (KPIs)**

1.1 Performance metrics (KPIs) will be agreed by the Trust and MOD. The key performance indicators are:

- Commit all funds received from the MOD before 31 March in each financial year in accordance with Managing Public Money and Charity Commission guidelines and best practice;
- Distribute funds in accordance with the four Themes outlined in the Financial Framework and in line with the Annual Priorities agreed by the Covenant Reference Group (CRG) (and report on these annually);
- Distribute funds across as wide a spread of the Armed Forces Community as funds may reasonably permit taking into account geography, theme and beneficiary cohort and other major funding streams available for distribution to those cohorts (and report on these annually);
- Undertake impact and evaluation work on all programmes and share these with the CRG;
- Seek continuous improvement and efficiencies to ensure costs of administering the funds remain within the agreed cap in each financial year;
- Publish an annual report and set of accounts by October of each year.
- Completion of a Charity Commission compliant audit by independent auditors, within the regulator's deadline.

1.2 These performance indicators may be reviewed over the duration of this Framework Document.

## Annex B: Financial Responsibilities

### 1. Delegated Financial Limits

1.1 Managing Public Money Annex 2.2, box A.2.2C sets out the following spending proposals that will always require HMT approval:

- 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;
- Any item which could set a potentially expensive precedent; and/or
- Where Treasury consent is a specific requirement of legislation.

1.2. In the first instance, such items should always be referred to MOD Finance.

### 2. Unlimited (unless otherwise specified)

#### 2.1 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.	N/A to Trust operational spend
The Trust must notify MOD regarding any expenditure on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Public Finance Initiative Provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls.	[Intentionally blank].

#### 2.2 Gifts

2.2.1 The Trust does not make or receive gifts.

#### 2.3 Fraud

2.3.1 No delegation. All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported by the Trust to the Department as soon as

it is discovered. This is a mandatory requirement under the Government Counter Fraud Functional Standard GovS 013<sup>14</sup> and Managing Public Money<sup>15</sup>. The Trust must seek to adhere to all aspects of the Government's Counter-Fraud Functional Standard.

2.3.2. The Trust must adopt and implement policies and practices to safeguard themselves against fraud, error and bribery & corruption in line with the Government's Counter Fraud Functional Standard GovS 013.

2.3.3. Responsibility for effective internal controls and appropriate corporate governance is delegated to all sponsored bodies.

2.3.4. Sponsored bodies are required to report any and all instances of suspected, attempted and/or successful fraud, error and bribery & corruption incidents to the Sponsorship Team and the Finance Business partner (who will inform MOD Counter Fraud Team) as soon as it is discovered.

2.3.5. MOD sponsored bodies can obtain advice and guidance about fraud policy from the Counter Fraud Team and/or the External Bodies Accounting Team. They can also seek advice and guidance from the Government Internal Audit Agency.

2.3.6. All sponsored bodies must operate within the controls detailed in their Fraud Policy and Fraud Response Plan. The controls and supporting documentation must be demonstrably updated in line with the Government's Counter Fraud Functional Standard GovS013.

2.3.7 The Department will continue to provide assistance to bodies as they assess their fraud risk profiles and develop their fraud response plans.

2.3.8. There is no delegated limit for Fraud.

2.3.9. The Trust will submit quarterly Fraud Consolidated Data Reports including nil returns to MOD Counter Fraud Team. The Trust are expected to follow Charity Commission best practice<sup>16</sup> regarding countering fraud.

2.3.10. If a fraud or attempted fraud is reported, it is important to identify whether that demonstrates a weakness in the body's control systems, and to confirm that the investigation of fraud has been sufficient to secure public funds which are at risk.

## **2.4. Non-Statutory Contingent Liabilities**

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<sup>14</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/894811/Counter\\_Fraud\\_Functional\\_Standard.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894811/Counter_Fraud_Functional_Standard.pdf)

<sup>15</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994901/MPM\\_Spring\\_21\\_without\\_annexes\\_180621.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21_without_annexes_180621.pdf)

<sup>16</sup> <https://www.gov.uk/guidance/protect-your-charity-from-fraud#counter-fraud-best-practice-templates-for-charity-trustees>

2.4.1. The Trust may only incur contingent liabilities without advance MOD approval provided all of the following conditions are met:

- a. They are intrinsic to day-to-day commercial business that may be reasonably considered integral to the core activities of maintaining and operating the Trust, such as contracts for services;
- b. They are not novel, contentious and repetitious; and
- c. They are capped with a maximum exposure of £100,000.

2.4.2 Any other contingent liabilities will require MOD and likely HMT approval and the Trust will be required to complete the contingent liability checklist<sup>17</sup> in such cases.

2.4.3. A Minute will also need to be laid before Parliament unless the contingent liability is below £300k in value or considered to fall within the normal course of business.

## **2.5 Losses**

2.5.1 The write-off of losses should only be carried out by staff authorised to do so by and on behalf of the Trust's Accounting Officer. The Trust should consult MOD 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; and /or
- Arise because of obscure or ambiguous instructions issued centrally.

2.5.2 A record of losses should be maintained and if the total of losses or special payments in the year exceeds £50k, the annual accounts should include a statement, with any individual losses and special payments exceeding £50k specifically identified.

## **2.6. Special Payments**

2.6.1. There is no delegation for the approval of special payments. All special payments will require HMT approval regardless of value.

2.6.2 Ministerial approval must be sought for the use of confidentiality clauses, as per Cabinet Office guidance. A confidentiality clause should only be used when necessary and not be included in settlement agreements as a matter of course.

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<sup>17</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/991361/Updated\\_Approval\\_Framework\\_Digicomms\\_Template\\_Final\\_Draft.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991361/Updated_Approval_Framework_Digicomms_Template_Final_Draft.pdf)

2.6.3. Approvals should always be sought in advance. Retrospective approvals will only be considered in exceptional extenuating circumstances and may not be approved, resulting in qualification of accounts.

### **3. Procurement**

3.1. The Trust must comply with the Public Contracts Regulations 2015 (PCR) (as amended) in its procurement activity and in accordance with its own procurement policy.

### **4. Budgets, Grant-in-Aid and any ring-fenced grants**

4.1. Grant-in-Aid is the amount payable by the Department to the Trust in each year and is independent of the budget figures, although derived from them. It does not include depreciation.

4.2. The following costs are not eligible expenditure for Grant-in-Aid funding: Payments that support activity intended to influence Parliament, Government or political parties, or attempting to influence the awarding or renewal of contracts and grants or attempting to influence legislative or regulatory action.

4.3. Both the Grant-in-Aid provided by the Department and the overall budgets set by it for the year in question will be voted in the Department's Supply Estimate and be subject to Parliamentary control.

4.4. The Trust will invoice the Grant-in-Aid immediately after each Board of Trustee meeting for grant funding, and invoice for the 8% six months in advance of need which amounts to £400K twice per annum, excluding any agreed inflationary increases.

## **Annex C: Compliance with government-wide corporate guidance and instructions.**

1. The Trust shall comply with (and shall ensure that the Trust group shall comply with) the following general guidance documents and instructions, any subsequent updates to guidance and any new guidance issued by MOD, Cabinet Office and/or Treasury:

1.1 This Framework Document;

1.2. Legal requirements applicable to The Trust, even if not specifically identified here - but for ease of reference, a non-exhaustive list is given here:

- a. Modern Slavery Act 2015 requirements, including publishing an annual statement if applicable;
- b. General Data Protection Regulation;
- c. Off payroll-working in the Public Sector;
- d. Public Sector Procurement legislation and the Public Services (Social Value) Act 2012;
- e. Public Sector Equality Duty;
- f. The Freedom of Information Act 2000; and
- g. The Privacy and Electronic Communications (EC Directive) Regulations 2003.

1.3. Rules on Lobbying for Non-Departmental Public Bodies;

1.4. Government's target for spending with SMEs, with such targets set for the Trust by agreement with the Department;

1.5. Government's Prompt Payment Policy;

1.6. Code of Conduct for Board Directors of Public Bodies;

1.7. Governance Code for Public Appointments;

1.8. Managing Public Money (MPM);

1.9. Public Sector Internal Audit Standards;

1.10. Government Financial Reporting Manual (FReM);

1.11. Relevant 'Dear Accounting Officer' letters;

1.12. Cabinet Office Controls, as set out in more detail above;

1.13. Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to the Trust. Additionally, documents referred to in this document and/or guidance which the Trust should have regard to include:

- 1.14. HM Treasury's Assurance Frameworks guidance;
- 1.15. Management of Risk: Principles and Concepts;
- 1.16. The Parliamentary and Health Service Ombudsman's Principles of Good Administration;
- 1.17. Partnerships between Departments and arms' length bodies: Code of Good Practice;
- 1.18. Guidance for approval of senior pay;
- 1.19. Public sector pay and terms: guidance note;
- 1.20 Government guidance on procurement;
1. 21. Government Functional Standards, including:
  - a. Commercial Operating Standards;
  - b. Government Finance Standards;
  - c. Project Delivery Functional Standard;
  - d. HR Government Functional Standard;
  - e. Functions Standard for Grants GovS15; and
  - f. Counter Fraud Government Functional Standard GovS13Fraud.
1. 22. Other relevant guidance and instructions issued by Treasury in respect of Whole of Government Accounts; and
- 1.23. Other relevant instructions and guidance issued by the central Departments and specific instructions and guidance issued by the sponsor Department.

