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FOREWORD

The United Kingdom Hydrographic Office (UKHO) is a world-renowned organisation with more than 200 year’s experience in producing worldwide marine navigational and other hydrographic products. Originally formed to serve the Royal Navy, its military customer, the UKHO has evolved considerably to become the market leader for the provision of hydrographic services and products to the merchant shipping market through an international network of distributors. It justifiably has a world-class reputation for providing the safe, accurate and authoritative navigational information that is essential for the Royal Navy and all mariners.

The Defence and commercial shipping markets are now changing markedly, with digital navigational products and their additional functionality progressively replacing traditional paper products. UKHO’s vision, to be the world leader in the supply of hydrographic information and services, underlines the organisation’s commitment to continued support for the mariner throughout the 21st century.

This Framework Document sets out in one place the MOD’s expectations for the Trading Fund and the governance, policy and financial arrangements that are in place to ensure the effective and efficient delivery of those expectations. The document also encapsulates the UKHO’s commitment to meeting its customers’ needs in the most cost-effective manner.

UKHO’s staff can be justifiably proud of their work and achievements. This document seeks to build on their successes by providing UKHO with a robust yet flexible framework in which it can operate and by supporting it in meeting the challenges of the future. I am confident of UKHO's continued and well deserved success.

Julian Brazier MP

Minister for Reserves
1 INTRODUCTION

The United Kingdom Hydrographic Office (UKHO) has operated as a Trading Fund of the Ministry of Defence since 1 April 1996. It has more than 200 years of experience in producing marine navigational and other hydrographic products in paper and, increasingly, digital formats for military and commercial customers. The UKHO is tasked with discharging the UK’s hydrographic obligations under the International Convention on the Safety of Life at Sea, by providing hydrographic services for waters of UK national responsibility, and with delivering a financial return for the MOD by providing hydrographic services to commercial customers. UKHO also advises the UK Government on hydrographic policy matters and represents the UK at international fora, including the International Hydrographic Organization.

This Framework Document sets out the UKHO’s purpose and role, together with the governance, policy and finance parameters that guide its day-to-day operations. It also captures MOD’s expectations for the Trading Fund, its Top Level Objectives, and the arrangements in place to ensure the effective delivery of these expectations. As a Trading Fund of MOD, UKHO’s activities are funded entirely from sales of hydrographic products and services to commercial and military customers through an international network of distributors.

The document is published under the authority of the Owner and is available on the UKHO website at www.ukho.gov.uk.

The UKHO currently employs 1,000 staff at its offices in Taunton. Further information on UKHO, its activities and its performance can be found in its Annual Report and Accounts on the UKHO website (www.ukho.gov.uk).
2 PURPOSE OF THE UKHO

2.1 Role and Status of the UKHO
UKHO provides hydrographic information in the form of marine navigational products and services and related safety information to the MOD, other Government departments, the hydrographic offices of other nations, and merchant shipping companies. It also provides bespoke maritime operational products and services to Defence. The hydrographic information it provides is crucial not only for Defence operations around the world but also for the navies of other nations and for a large proportion of commercial shipping. The UKHO also plays a central role in discharging the UK’s obligations under the International Convention for the Safety of Life at Sea (SOLAS) by providing hydrographic products and services for waters of UK national responsibility. As such, it plays an essential role in preserving life and safety at sea.

The UKHO’s responsibilities are summarised in its Public Task at Annex A; this is also published on the UKHO website [www.ukho.gov.uk](http://www.ukho.gov.uk).

The UKHO has evolved from the Office of the Hydrographer to the Admiralty, which was founded in 1795. It was established as an Executive Agency of the MOD in 1990 and has operated as a Trading Fund since 1 April 1996. It is owned by the Secretary of State for Defence.

2.2 Vision
To be the World's best provider of hydrographic and maritime geospatial data services.

2.3 Mission
To meet national, Defence and civil requirements for navigational and other hydrographic information, products and services in the most efficient manner.

2.4 Top-level Objectives and Performance Measures
The UKHO's top-level Objectives are agreed by the Owner and reviewed regularly. They help to ensure that current and potential future military tasks are supported by high-quality hydrographic information, products and services, and to drive down the costs to MOD of this support. They also help UKHO to deliver value to the UK taxpayer in the products and services it provides, by using its assets and capabilities for the benefit of Government, the economy, the environment and society in general.

Objective 1 – Operational Support to the Royal Navy and other Defence Customers

The UKHO will provide value to Defence by delivering the hydrographic services which enable the Royal Navy and other Defence Customers to undertake current and potential future operational tasks in times of peace, crisis or war. To achieve this, the UKHO will:

- Provide the navigational, oceanographic and hydrographic products, services and advice that the UK armed forces require for the success of operations and tasks;
- Work with the MOD to define and develop continually improved products and services, notably by integrating the digitisation of its traditional paper charts and publications within its wider data transformation programme.
- Exploit the international data capture programme for non navigational military use.
- Manage the maritime component within the US National Geospatial Intelligence Agency MOU on behalf of Defence.

Objective 2 – Support to the UK’s obligations under the UN International Convention for the Safety of Life at Sea (SOLAS)

The UKHO will provide wider value to the Government by delivering the hydrographic information, products and services required by the Maritime and Coastguard Agency (MCA) as the authority responsible for the discharge of the UK’s obligations under UN SOLAS, as amended and including its protocol of 1998. To achieve this, the UKHO will:

- act as co-ordinator for North-West Europe (NAVAREA One), co-ordinating, collating and issuing long-range navigational warnings and NAVAREA warning bulletins to cover the whole of NAVAREA One;
- arrange for the collection and compilation of hydrographic data and its publication and dissemination, ensuring the accuracy and timeliness of all nautical information necessary for safe navigation;
- prepare and issue nautical charts and nautical publications, where applicable, necessary to ensure safe navigation;
- promulgate notices to mariners to ensure that nautical charts and publications are up-to-date with safety information;
- providing advice on areas requiring surveying; and
- promote international harmonisation in, and improvement of, hydrographic data standards through the International Maritime Organization and International Hydrographic Organisation.

Objective 3 – Developing Profitable Business Streams

Subject to maintaining the capability to deliver against Objectives 1 and 2 above, the UKHO will extract maximum value from its assets and capabilities by:

- generating profitable revenue from customers outside Government;
- maximising the scope, use and value of its hydrographic data set; and
- developing and adopting a robust strategy for exploiting the changing commercial market for hydrographic products and services, in particular for digital products and services.

Objective 4 – Organisational Excellence

In delivering the above Objectives, the UKHO will demonstrate organisational excellence by:

- ensuring all obligations, contractual or otherwise, to its customers and suppliers are met in line with Government policy;
- operating its business to the recognised Industry standards required by customers and regulators;
- providing a working environment that fosters diversity, leadership, personal development, innovation and team working; and
delivering its outputs as efficiently, effectively and resiliently as possible, and ensuring that all expenditure and investment represents good value-for-money for Defence.

In consultation with the Owner and key stakeholders and to enable performance to be assessed, UKHO will develop and maintain suitable performance measures which will be aligned to the top-level Objectives. These will be set out in the Corporate Plan and UKHO will collect and report data on these measures to the MoD UKHO Owners Council, which meet at least once a year. It will also set performance targets where sensible and appropriate, taking care to ensure that any such targets drive only desired business performance.

2.5 Admiralty Holdings Limited and Subsidiary Companies

To maximise its commercial opportunities and provide it with services in support of effective delivery of its core business, UKHO may establish subsidiary companies that operate at arm’s length from UKHO on behalf of the Secretary of State for Defence. Any such companies will be wholly-owned by MOD SoS and will come under the umbrella of Admiralty Holdings Limited (AHL). Their scope and number may vary from time to time according to the opportunities that present themselves and any changes require approval from the Owner.

AHL is operated on the Owner's behalf by UKHO and the governance, policy and financial arrangements that apply are summarised in this document (Section 3.5) and will be set out in more detail, if appropriate, in a separate AHL governance document.

3 GOVERNANCE FRAMEWORK OF THE UKHO

The corporate governance and accountability arrangements for UKHO draw on best practice in both the public and private sectors, and reflect its position both as part of a Government department and as a revenue-earning organisation.

The governance arrangements centre on the following key Defence roles:

- Secretary of State for Defence and the Minister for Reserves;
- MOD’s Permanent Secretary;
- MOD’s Director General Head Office & Commissioning Services;
- MOD’s Director Financial Management Transformation;
- Chair of the UKHO Board;
- UKHO Chief Executive.

In discharging these roles, those concerned are supported by a number of boards and committees, each of which has a distinct purpose:

- MOD UKHO Owner’s Council;
- UKHO Board;
- UKHO Board Sub and Advisory Committees;
- UKHO Executive Committee;
- Admiralty Holdings Board.

The work of the individuals in these key roles, and of all UKHO staff, is governed by statute and by a series of key governance documents, which include:
- Government Trading Funds Act 1973;
- Hydrographic Office Trading Fund Order 1996;
- HM Treasury’s UKHO Minute;
- UKHO Framework Document;

UKHO will also conduct its business on the basis of its:

- Corporate Plan;
- Business Plan.

Additionally, important business decisions, which affect the strategic direction of UKHO or have significant financial implications, must be set out in a business case submitted to the Owner for appropriate consultation and approval.

UKHO’s strategic direction and outputs will be guided by its obligation to deliver a financial return to the taxpayer by providing hydrographic data information and services to commercial customers while meeting the demands of its primary MOD and Other Government Department (OGD) customers. The latter include:

- Fleet Commander, Royal Navy;
- Commander of the Joint Forces Command and Chief of Defence Intelligence;
- Chief Executive of the Maritime and Coastguard Agency;
- OGDs as part of the National Security Strategy.

UKHO’s relationship with its customers and suppliers is defined by agreements which include:

- UKHO Service Level Agreements with the MOD and Other UK Government Departments.
- Distributor agreements with its commercial customers.
- Memoranda of Understanding and Bilateral Arrangements with Other National Governments and Hydrographic Offices.

Ultimately, the UKHO Chief Executive is personally accountable for UKHO’s performance, both to the Owner and directly to Parliament.

Each of the key MOD roles, committees and governance documents is described in sections 4 to 6. The relationship between the individuals in the key roles, boards and committees is illustrated schematically in Annex D. The UKHO’s relationship with external stakeholders is set out in section 7, which describes the UKHO’s Policy Framework.

4 KEY ROLES

4.1 Secretary of State for Defence (MOD SofS) and Minister (Reserves)

The Secretary of State for Defence is the departmental Owner of UKHO and MOD’s other Trading Funds. The SofS is accountable to Parliament for all aspects of the performance of UKHO, including its policies and strategy, operation, performance against objectives and the effectiveness of its governance arrangements.\(^1\)

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\(^1\) The ministerial accountability function is different from the accountability function of the UKHO Chief Executive as Accounting Officer for UKHO.
The Secretary of State for Defence delegates the day-to-day ownership responsibilities for UKHO to the Minister for Reserves, but remains accountable to Parliament. As such, Minister (Reserves) is responsible for the majority of the Owner’s obligations including:

- defining the policy and financial framework within which UKHO operates;
- agreeing its strategy and financial objectives;
- approving the Corporate Plan;
- monitoring UKHO's performance and intervening to address under-performance;
- approving the appointments of the UKHO Chair and other Non-Executive Directors and agreeing their remuneration. Endorsing the appointment of the Chief Executive. Where potentially novel or contentious, agreeing the appointments of other senior UKHO staff and UKHO Board members. Ensure that any remuneration agreed to is consistent with public sector pay policy and Cabinet Office and HM Treasury guidance on pay for the Senior Civil Service;
- being satisfied that the UKHO Board is working effectively;
- approving plans, programmes and projects that exceed delegated powers.

4.2 MOD Permanent Secretary (MOD PUS)

The MOD PUS is the senior civilian adviser for defence and MOD’s Principal Accounting Officer (PAO). MOD PUS delegates to the UKHO Chief Executive, within certain constraints, the necessary authority for effective management of financial, contractual, pay and personnel aspects of UKHO’s operation.

MOD PUS will have no day-to-day involvement in the running of the UKHO, which is the responsibility of the UKHO Chief Executive, but has an interest in its performance given the importance of its work for the MOD, the Armed Forces and wider Government. However MOD PUS will expect to be consulted on, and approve, any changes to the UKHO's complement of staff at Senior Civil Service (SCS) level including the Chief Executive. He or she delegates the oversight of the UKHO's operations and line management of the UKHO Chief Executive to the Director General Head Office and Commissioning Services (DG HO&CS).

4.3 MOD Director General Head Office & Commissioning Services

DG HO&CS has delegated responsibility for MOD Trading Funds including the UKHO. He or she is responsible for the line management of the UKHO Chief Executive and his or her annual performance assessment, and may draw on the advice of the UKHO Chair, NEDs on the UKHO Board, the MOD's Director Financial Management Transformation and senior MOD customer representatives in forming this assessment.

4.4 MOD Director Financial Management Transformation

The Director Financial Management Transformation (Director FMT) has the day-to-day lead in advising the Owner on his or her responsibilities in relation to the UKHO, and is accountable to DG HO&CS in this role. The Director FMT (or his/her representative) also represents the Ministerial Owner's interests on the UKHO Board as MOD’s formal Non-Executive Director (NED), and advises the Chief Executive on compliance with Government and MOD corporate and fiscal policies. He or she has no direct involvement in UKHO’s day-to-day operations but will expect to be consulted on all matters that are novel or contentious, or have significant financial implications.
Specifically, the Director FMT is responsible for:

- acting as the day-to-day link between the UKHO Chief Executive and MOD and other Government departments, ensuring that all parties have a clear understanding of their respective objectives and methods of working;
- advising the Owner on the strategic direction of UKHO in the context of wider departmental and Government objectives;
- advising the Chief Executive on the implications of UKHO's activities to ensure they most effectively support the delivery of MOD and Government objectives;
- ensuring that the Chief Executive has the necessary delegations and authorities in place for effective delivery of UKHO's objectives;
- acting as the MOD's formal Non-Executive Director (NED) on the UKHO Board and selected subcommittees, and on the board of AHL, representing the Owner's interests and supporting the UKHO Chair and Chief Executive;
- agree with MOD's Human Resources Directorate (HRD) a framework for UKHO's strategic performance management and also for reviewing the performance of the UKHO Board and its members;
- advising Minister(Reserves) on the effectiveness of the Chair on an annual basis.
- producing this Framework Document which sets out what MOD requires from UKHO and the associated governance arrangements;
- ensuring the periodic review of UKHO's Trading Fund business model\(^2\) is undertaken and assisting the Chief Executive with addressing the implications of any recommendations from such reviews.

This responsibility requires careful balancing of the range of interests that MOD and wider Government has in the UKHO, including MOD's interests as:

- sole shareholder (MOD owns the public dividend equity in UKHO and sets its dividend policy);
- finance provider (the Owner is the only source from which UKHO can receive loans);
- sponsor of policy and standards;
- major customer.

The role of supporting the Owner is discharged as far as possible separately from that of UKHO's MOD customers, but he or she works closely with the other key stakeholders within UKHO, MOD and other Government Departments to ensure that the Owner is sufficiently informed and able to carry out his or her ownership duties.

The Director FMT is supported in this role by MOD's Business Strategy and Governance team, which provides the secretariat to the UKHO's Owner's Council. BSG will take the lead on Ministerial and Parliamentary business relating to UKHO's status as a Trading Fund of MOD.

4.5 Chair of the UKHO Board

The independent, non-executive Chair of the UKHO Board is accountable to the Owner for leading the UKHO Board and ensuring its effectiveness in all aspects of its role\(^3\). The Chair sets the Board's agenda and ensures that adequate time is available on all agenda

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\(^2\) UKHO's status and business model is usually reviewed every five years in line with MOD's approach to undertake a Quinquennial Review of its Trading Funds and Executive Agencies

items, promoting a culture of openness and debate in doing so. He or she also has the personal role of advising the Owner about the high-level business issues affecting the UKHO, both directly and as a member of the Owner’s Council.

The Chair is appointed by the Owner for a fixed term, normally up to three years, following a process of open competition managed by MOD in accordance with the main features of the Code of Practice for Public Appointments\(^4\). The performance of the Chair will be assessed annually by the Director FMT, who seeks and takes account of advice from the other NEDs on the UKHO Board, and advises DG HO&CS and the Owner accordingly. Subject to receiving satisfactory performance appraisals, the UKHO Chair may be reappointed for a second term, but the total appointment should not normally exceed six years.

The UKHO Chair is specifically responsible for:

- ensuring that the Board as a whole is effective, including assessing the performance of the Board and of individual NEDs, and making recommendations on areas of development;
- encouraging all Board members to express their views frankly and challenge constructively in order to improve the standard of discussion in board meetings;
- managing the frequency, content and conduct of Board meetings, ensuring that systems are in place to provide members with accurate and timely information of good quality to allow the Board to consider properly all matters before it;
- determine, taking into account the views of the Chief Executive, and agree with the Owner the composition of the UKHO Board taking into account its diversity and ensuring a balance of relevant experience and expertise, and obtaining approval for the appointment of new independent NEDs;
- ensuring the Board is supported by effective and properly constituted: Remuneration and Nomination sub-committee; Audit and Risk Assurance Sub-Committees; and Safety of Navigation Advisory Committee;
- advising on the appointment of the UKHO Chief Executive, including sitting on the selection panel;
- to act as a source of advice and guidance to the Chief Executive;
- ensuring there is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the best practice consistent with the Cabinet Office ‘Code of Conduct for Board Members of Public Bodies’;

The Chair has a standing right of access to the Owner and will maintain a regular dialogue, including through the Owner’s Council and at least one face-to-face meeting each year.

In the event that the Chair, with the agreement of the Board, believes that the Chief Executive may not be delivering on his or her Accounting Officer responsibilities, the Chair will seek to remedy this in discussion first with the Chief Executive, then through the formal MOD NED, DG HO&CS, MOD PUS and, ultimately, with the Owner.

4.6 **UKHO Chief Executive**

HM Treasury’s Permanent Secretary appoints the UKHO Chief Executive as Accounting Officer for the Trading Fund. This confers the responsibility for ensuring that the requirements of [Managing Public Money](#) are met and that proper procedures are

\(^4\) The role is outside the remit of the Office of the Commissioner of Public Appointments (OCPA)
followed for securing the regularity, propriety, value for money and feasibility in the handling of the public funds administered by UKHO. The Chief Executive is personally accountable for UKHO’s performance, ultimately, through the Owner, to Parliament.

To discharge these responsibilities, the Chief Executive has delegated authority from PUS to manage UKHO. The Chief Executive also has to ensure that UKHO adheres to the Civil Service Code and MOD’s policies on Safety, Health and Environmental Protection, Sustainable Development and Security.

The appointment of the Chief Executive is managed by MOD, with the agreement of the Owner, taking into account advice from the Chair. The role may be occupied by a civil servant or an individual recruited from the private sector; appointment of the latter would be for a fixed term, renewable for a further term. Appointments will be made on merit through fair and open competition.

The UKHO Chief Executive is accountable to the Owner for all aspects of the operation of the UKHO, including its business strategy, plans, targets and performance, and for the delivery of any major business proposals. Specific responsibilities of the UKHO’s Chief Executive include:

- leading and motivating the UKHO executive team and other staff;
- developing the Corporate Plan for endorsement by the Board and approval by the Owner;
- developing, with the support of the Board, an annual Business Plan that will deliver the Corporate Plan;
- developing appropriate internal strategies and policies, new products and services;
- improving business processes, and maintaining effective and efficient management systems;
- reporting regularly to the UKHO Board and Owner’s Council on business performance and on any matters requiring their attention;
- embedding independent audit mechanisms that give assurance on the state of internal control throughout the organisation and the integrity of its internal systems;
- preparing an audited Annual Report and Accounts for endorsement by the Board before being laid before Parliament, in accordance with the Government Financial Reporting Manual, Managing Public Money and any HM Treasury instructions that may apply.

The Chief Executive will maintain a regular dialogue with the Owner, including through the Owner’s Council and at least one face-to-face meeting each year.

In the event that the Chief Executive believes that the position of the UKHO Board is in conflict with his or her responsibilities as Accounting Officer, he or she will seek to remedy this in discussion first with the UKHO Chair, then through Director FMT, and ultimately through the Owner. However, the UKHO Chief Executive is at all times bound by his or her personal responsibilities as Accounting Officer, a fact that the UKHO Chair and Board will take into account.
5 KEY BOARDS AND COMMITTEES

5.1 MOD UKHO Owner's Council
The MOD UKHO Owner's Council is the senior level group of stakeholders from across and outside Government which advises the Owner on his or her responsibilities concerning UKHO and on how they should be exercised, to review, discuss and make recommendations on the policy and financial framework within which the UKHO Chief Executive must operate and on the UKHO's strategic direction, top-level Objectives and performance.

To provide advice and assistance to the Owner in:

- balancing the Government's customer, policy and financial interests in UKHO, and determining top-level objectives for the organisation;
- defining the policy parameters within which UKHO should operate; and
- assessing advice from the UKHO Chair, including on progress against the strategic Corporate Plan and associated instruments, on continual development of that Plan, and on other issues requiring the Owner’s attention.

The Owner's Council is chaired by Minister (Reserves) and meets at least once a year. Membership includes senior finance, policy and customer representatives from MOD and other Government departments, the MOD formal NED on the UKHO Board, UKHO Chair and Chief Executive and a representative from the Shareholder Executive and an independent commercial shipping adviser. Additional representatives of the UKHO executive team may be invited to attend to assist with discussion of particular items.

Specifically the MOD UKHO Owner's Council is required to endorse the UKHO's Corporate Plan and any major business decisions that will affect the UKHO's strategic direction and performance.

5.1 UKHO Board
The UKHO Board provides the strategic leadership for UKHO in delivering its objectives. It provides a forum for independent, non-executive, support and constructive challenge to UKHO’s Chief Executive and his or her Executive Directors.

The Board has an independent, non-executive Chair. To strike the right balance of skills, experience and objectivity, the Chair will agree the size and composition of the Board with the Chief Executive, taking into account guidance and best practice on Boards in the public and private sectors, subject to approval from Minister (Reserves). At a minimum it will comprise:

- An independent, non-executive Chair.
- UKHO Chief Executive.
- Members of the executive leadership team such as the heads of finance and operations and the National Hydrographer.
- The Director Financial Management Transformation representing MOD as a formal NED.
- The Hydrographer of the Navy representing the Defence customer as a formal NED.
- Independent non-executive Directors (NEDs) with a range of experience and expertise appropriate for the activities that UKHO undertakes. The role of the NEDs is to provide expert advice, guidance and challenge to the Executive.
A recognised Trade Union may be invited to nominate a representative to attend meetings of the UKHO Board or will be provided with copies of the minutes of meetings.

The scope of the Board’s support and challenge will include:

- UKHO’s purpose and role, the policy and commercial constraints under which it operates, and relevant good practice across the Government and private sectors;
- developing the long-term strategy, a five-year Corporate Plan and annual performance measures and targets. The Board will endorse these prior to submission to the Owner for approval;
- development of the UKHO Business Plan and Budget, and the authority to approve the Business Plan on behalf of the Owner;
- developing other major business strategies, plans or proposals in support of the approved Corporate Plan with a value above certain defined thresholds as set out in Annex C, including endorsing some proposals and the development of recommendations to the Owner where appropriate;
- UKHO’s performance against the Corporate and Business Plans, including performance against the agreed performance targets;
- the UKHO Annual Report and Accounts;
- UKHO’s risk appetite and the controls that are in place to manage risks and threats to address opportunities;
- the governance arrangements, role, strategic direction and performance of UKHO’s subsidiaries and joint ventures.

The members of the UKHO Board will comply with the Government’s code of conduct for board members of public bodies.

The quorum necessary for the transaction of business is three NEDs (including the Chair or a lead NED appointed in the absence of the Chair) and two Executive Directors. If a NED has a direct or indirect interest in any proposed discussion, he or she has a duty to declare both the nature and extent of that interest to the other Board members. NEDs are required to update their declarations of interest as and when they change. These should include any general interests in a standing register of interests, as per the code of conduct.

UKHO’s independent NEDs will be appointed with the agreement of the Owner following a process of open and fair competition managed by UKHO. Appointments are normally for a fixed term of three years, with the possibility of reappointment for a further term subject to receipt of a satisfactory performance assessment. Individual NED appointments totalling more than six years will be considered only in exceptional circumstances and justified in the Annual Report and Accounts. UKHO will ensure that new NEDs (independent and formal) receive an appropriate induction and support to enable them to contribute effectively to the Board’s activities.

The effectiveness of the Board and its Sub-Committees will be assessed annually by the Chair; at least every three years, the review will be facilitated by an independent party contracted for the purpose by UKHO. Any deficiencies in the Board’s performance or composition, or of its Sub-Committees, will be addressed by the Chair.

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6 Code of Conduct for Board Members of Public Bodies, Cabinet Office, June 2011.
The performance of the independent Chair and the independent NEDs will be assessed annually on whether each continues to demonstrate appropriate commitment to the role (including commitment of time for Board and Committee meetings and other duties) and contributes effectively, including measurement against:

- amount and level of strategic challenge provided;
- scrutiny of management decisions and ensuring controls in place;
- ensuring effective decisions are made based on sound management information (risk);
- ensuring appropriate challenge on the skills of the management team (people), behaviour and people engagement.

The performance of the Chair will be assessed by the MOD formal NED on behalf of the Owner, while the Chair will assess the performance of the independent NEDs.

5.2 UKHO Board Sub-Committees and Advisory Committees
The UKHO Chair will establish sub-committees of the UKHO Board, chaired by the UKHO Chair or a NED, to advise the UKHO Chair, the UKHO Board and the UKHO Chief Executive on specific matters within their remit.

The performance of each of the committees, and their terms of reference, will be reviewed annually by the committees themselves and by the UKHO Board.

5.2.1 Audit and Risk Assurance Committee
The role of the Audit and Risk Assurance Committee is to support the UKHO Board and Chief Executive, as the Accounting Officer, in monitoring the organisation’s corporate governance and control systems. Its remit will extend to AHL, its subsidiaries and any joint ventures. The Committee is chaired by an independent NED with relevant experience.

Members are responsible for reviewing and assessing the comprehensiveness, reliability and integrity of controls, and promoting their improvement, as well as reviewing the financial statements.

The Audit and Risk Assurance Committee advises the Board and the Chief Executive on:

- the strategic processes for risk, control, governance and the Governance Statement;
- the accounting policies, the accounts, the financial statements and the Annual Report, including the process for review of the accounts prior to submission for audit, levels of errors identified and management letters of representation to the external auditors;
- the planned activity and results of both the external and internal audit, all relevant reports by the NAO or the appointed external auditor, including reports on the UKHO’s accounts, achievement of value for money and the response to any management letters;
- adequacy of management response to issues identified by audit activity;

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• the comprehensiveness and appropriateness of the annual and long-term programme of the UKHO’s internal audit function, the audit strategy and the results of internal audits;
• assurances relating to the corporate governance requirements for UKHO;
• issues arising from reports from the Safety of Navigation Advisory Committee (SONAC) on matters relating to its Terms of Reference;
• anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Audit and Risk Assurance Committee comprises a minimum of three NEDs (including its Chair and MOD’s formal NED) plus, by invitation, the UKHO Chief Executive, Chief Finance Officer, head of Internal Audit, and a representative of the External Auditor. Since MOD’s Head of Defence Internal Audit (DIA) has a remit from MOD PUS and the Defence Audit Committee to carry out audits on all MOD departments, his or her representative will have unrestricted access to all UKHO records, personnel, property and operations the right to attend Audit Committee meetings. At least one member of the ARAC will have recent, relevant, finance experience. The ARAC may co-opt additional members for limited periods to provide additional specialist skills, knowledge or experience, or procure specialist ad-hoc advice at UKHO’s expense, subject to agreement by the UKHO Board.

The quorum necessary for the transaction of business is two NEDs (including the Chair of the Audit Committee).

5.2.2 Remuneration and Nomination Committee (REMNCO)

The Remuneration and Nomination Committee (REMNCO) exists to:

• advise the UKHO Chair on appointments to the UKHO Board (except for the Chair, whose appointment is the responsibility of the Owner);
• advise the Owner, Chief Executive and the Board on matters relating to the UKHO pay and reward strategy and on the remuneration for senior UKHO executives, operating within the framework set by Government-wide and Departmental guidelines and where applicable, those for the Senior Civil Service (SCS)\(^8\) \(^9\)

Specific responsibilities include:

• overseeing the appointment of proposed independent NEDs to ensure that they are selected on merit against objective criteria;
• supporting the Chair to evaluate regularly (at least every three years) the balance of skills, knowledge and experience of the UKHO Board;
• support appointments of Executive Board Directors and succession planning for the independent NEDs;
• the framework and broad policy for the remuneration packages of UKHO senior executives and an appropriate performance-based remuneration scheme for UKHO’s senior executives, with appropriate reference to corporate goals and objectives that rewards exceptional performance;
• the objectives, performance and recommended bonus payments for senior executive staff;

\(^8\) Guidance on Terms of Reference Remuneration Committee. Institute of Chartered Secretaries and Administrators (ICSA), October 2010.
• reviewing and commenting on the UKHO pay and reward strategy, providing advice to the UKHO Board and Chief Executive\(^{10}\);
• the suitability and appropriateness of any proposed special bonus award greater than £2000 in value;
• any other remuneration and conditions of employment issues as directed by or requested by the UKHO Chair or the Chief Executive.

The Committee comprises a minimum of three NEDs, one of whom will be the Owner’s representative (the MOD NED). One of the NEDs will act as the REMNCO Chair. The quorum for the transaction of business will be two members.

**5.2.3 Safety of Navigation Advisory Committee (SONAC)**

The SONAC is an advisory committee. It will advise on the safety aspects of the work and procedures of the UKHO, focussing on key UKHO activities related to the provision of information for the safety of navigation. In particular, it will advise on:

• the safety and quality aspects of the UKHO’s work and procedures related to the provision of information for safety of navigation;
• the effectiveness of arrangements to ensure that existing and proposed safety of navigation products, services and delivery mechanisms meet all required standards for validation, assessment, and data selection for promulgation, quality assurance, publication and transmission to the point of sale or distribution.
• the investigation of incidents and complaints;
• the UKHO’s quality assurance and safety risk management policies and processes;
• the bearing, qualifications, recruitment and training of specialist mapping and charting staff.

The SONAC will be chaired by the Hydrographer of the Navy. Membership will ensure adequate representation of the safety of navigation stakeholder community, including, for example, representatives of organisations such as the MCA, the Chamber of Shipping, the Nautical Institute, Royal National Lifeboat Institution and Trinity House. The UKHO’s Head of Compliance would normally attend, with representatives from other UKHO branches as required.

**5.3 UKHO Executive Committee**

The Executive Committee (ExCo) advises the Chief Executive on his or her management of the business of the Trading Fund and is therefore an advisory body to the Chief Executive. The scope of the ExCo covers operational business, risk management and to help develop wider corporate strategy and plans.

The size and members of the ExCo will be determined by the Chief Executive. Membership will ensure adequate representation of the business. The ExCo will normally meet every two weeks with one additional meeting in months where a UKHO Board meeting is scheduled to allow discussion of relevant Board papers.

\(^{10}\) The UKHO’s annual pay remit is approved by the Owner
The ExCo does not formally report to any other body and therefore will be responsible for monitoring its own effectiveness, which it will do at least annually. External reviews will take place every three years, scheduled to occur concurrently with the UKHO Board effectiveness review.

6 KEY GOVERNANCE AND OTHER DOCUMENTS

6.1 Government Trading Funds Act 1973
The Government Trading Funds Act 1973, as amended by the Government Trading Act 1990 and the Finance Acts 1991, 1993 and 2001, sets out the statutory framework within which all Trading Funds are established and operate. It enables certain Government services to be so financed and delivered where the costs of the delivery of those services can be met from charges levied on the customers of those services, and when such a business model provides opportunities for improved efficiency and effectiveness in the delivery of the services.

The Act lays down the fundamental principles of a Trading Fund, including the personal accountability of the Chief Executive; the opportunity for revenues over and above the operating costs to be retained by the Fund for reinvestment in subsequent years; the requirement to deliver a return on the capital invested by the parent department; and the requirement that separate annual reports and accounts are prepared and published.

A copy of the Act is available online.

6.2 Hydrographic Office Trading Fund Order 1996
The Government Trading Funds Act 1973 requires an Order establishing a Trading Fund to be approved by Parliament, following discussion in Committee. The Hydrographic Office Trading Fund Order 1996 established UKHO as a Trading Fund, defining:

- the activities which it can undertake;
- its assets, liabilities and public dividend capital;
- the Owner as the only source from which it might obtain loans and the limits on those loans; and
- limitations of indebtedness.

A copy of the Order as at Annex B and is also available online. Substantial changes to the scope of activities undertaken by a Trading Fund will require a new Order.

6.3 HM Treasury’s UKHO Minute
UKHO’s key financial objectives are determined by HM Treasury in agreement with the Owner and made known to Parliament by a Treasury Minute. The current Minute reproduced at Annex A, sets the minimum Return on Capital Employed (ROCE) that UKHO must deliver. It also defines the responsibilities of the Owner and will set out any additional financial objectives that UKHO should meet. A copy of the minute is reproduced in the UKHO’s Annual Report and Accounts.

6.4 UKHO Framework Document
This Framework Document, maintained and published by MOD, will set out in a single document the UKHO’s purpose, vision and role, together with the governance, policy and financial parameters that guide its day-to-day operations. It will set out the MOD’s
expectations for the Trading Fund, including its top-level objectives, and the arrangements that are in place to ensure the effective delivery of those expectations.

This Framework Document is reviewed at least every three years and following each formal Trading Fund status review. It is prepared by the Director FMT and approved by the Owner following clearance from HM Treasury officials.

This Framework Document will be published on the UKHO's website and copies will be placed in the libraries of both Houses of Parliament. Printed copies will be available from UKHO on request.

6.5 Chief Executive's Accounting Officer Appointment Letter

In accordance with section 4(6) of the Government Trading Fund Act 1973, the UKHO Chief Executive is appointed as Accounting Officer by the HM Treasury Permanent Secretary. The letter is personal for the recipient and issued on appointment as UKHO Chief Executive.

As the Accounting Officer for UKHO, the Chief Executive must ensure that there is an acceptable standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and risk is considered in relation to assessing value for money.\(^{11}\)

As Accounting Officer, the Chief Executive must also prepare and sign the accounts in respect of each financial year and a governance statement, both of which are included in the Annual Report and Accounts.

6.6 UKHO Chief Executive's Letter of Authority from MOD PUS

The Letter of Authority from the MOD PUS complements the UKHO Chief Executive's formal appointment as Accounting Officer. It delegates the responsibility for ensuring the effective, efficient and proper conduct of UKHO business in accordance with Ministerial direction, requiring that he or she sets demanding priorities aimed at improving performance and gives full consideration to the potential Parliamentary, political, policy, and presentational aspects of all proposals and to the interests of other Government Departments, consulting as needed with the appropriate policy staffs and Ministers.

The letter sets out the UKHO Chief Executive’s authority on financial, audit, contractual, human resources (including pay and personnel management), sustainable development (including safety and environmental protection) and security matters.

6.7 UKHO Corporate Plan

The Corporate Plan sets out the strategic direction for UKHO for a rolling period of five (financial) years. It is reviewed annually by the Executive and the UKHO Board and encompasses:

- The strategy for delivering UKHO’s purpose and vision;

\(^{11}\) Managing Public Money
• the UKHO’s top-level Objectives, overall business strategy, and projected financial performance;
• the strategy for meeting the UKHO’s top-level Objectives, including a full market analysis;
• the main activities, investments and other decisions which will deliver the strategy;
• how success will be measured, including delivery against objectives and milestones;
• the risks to success and how they will be mitigated;
• the key underpinning assumptions;
• a financial analysis and projections across the Plan period.

When approved by the Owner, it forms the authoritative basis for all business decisions. Approval also underpins key assumptions on which the business is entitled to plan. Individual business decisions flowing from these assumptions still require specific approval under the framework at Annex C.

The Corporate Plan contains commercially sensitive information and is, therefore, not normally published.

6.8 UKHO Business Plan
The UKHO Business Plan sets out the detailed plan for delivery of the first one or two years of the Corporate Plan, underpinning the management of UKHO and the delivery of improved business performance by the Chief Executive, the Executive Committee and UKHO staff. It is reviewed annually by the Executive Committee and the UKHO Board, and approved by the UKHO Board. There is no requirement to publish the Business Plan externally.

6.9 UKHO Service Level Agreements with MOD and UK Government Customers
UKHO will provide hydrographic products and services to its Defence and Government customers in accordance with the Customer Supplier Agreement and Service Definition Annex. The UKHO as a Trading Fund is a constituent part of the MOD responsible to the Secretary of State for Defence. It is therefore not possible for the MOD and the UKHO to enter into a legally binding relationship or “contract”. However, work undertaken by the UKHO under the terms of this agreement will be treated as though a “contract” exists.

UKHO has a Memorandum of Understanding (MOU) with the Maritime and Coastguard Agency to enable UK to meet those obligations under SOLAS where compliance lies within UKHO’s area of expertise (as set out in UKHO’s Public Task at Annex A12). The MOU formalises arrangements between MCA and UKHO on the sharing of expertise in the fields of navigation and hydrography.

6.10 UKHO distributor agreements
UKHO sells its commercial products through a worldwide channel of independent distributors. The terms within which the UKHO carries out business with its distributors is laid out in a legally binding distributor agreement.

12 It is also published on the UKHO website, www.ukho.gov.uk
6.11 UKHO Bilateral Arrangements with other Governments and Information Suppliers
UKHO maintains bilateral arrangements with the governments of other nations for the supply of hydrographic survey data and other information that it uses in the compilation of standard and electronic navigational charts and other publications and data products.

6.12 Annual Report and Accounts
The UKHO Chief Executive is required to prepare an annual report, together with a statement of accounts, in accordance with relevant HM Treasury and National Audit Office instructions and guidance.

The Annual Report and Accounts will review the operations of the UKHO over the previous financial year, provide details of performance against its top-level Objectives and review planned developments. The Report will also highlight notable achievements and challenges. The accounts will meet the accounting and disclosure requirements set by HM Treasury.

The Annual Report and Accounts will be submitted to Comptroller and Auditor General (C&AG) within an agreed timetable to allow for their audit and certification. The Annual Report and Accounts is presented to Parliament and is available on the UKHO website. Printed copies are available from TSO (the Stationery Office).

6.13 Governance Arrangements of Admiralty Holdings Ltd, its Subsidiaries and any joint ventures
The governance arrangements for the UKHO subsidiaries and joint ventures operating under the AHL umbrella will be set out, if appropriate, in a separate control. AHL is wholly owned by Secretary of State for Defence.

The UKHO Chief Executive is accountable for the performance of AHL and any subsidiaries and joint ventures operated by it in which the Owner has a formal financial interest and for the rigour and overall effectiveness of their governance arrangements. He or she will be supported in this role by the Admiralty Holdings Board, which will comprise members of the UKHO Board.

Initiation of any new AHL business enterprise will require approval from the Owner, having noted the advice of the Owner's Council and the Director Financial Management Transformation, the Cabinet Office and HM Treasury.

UKHO will regularly review its subordinate companies and joint ventures with a view to maximising the efficiency of their day-to-day operations.

The Accounts of AHL and its subsidiaries will be consolidated with the Accounts of UKHO if deemed to be material and with agreement of the C&AG. Consolidation is made under the guidance provided in International Accounting Standard 27: Consolidated and Separate Financial Statements, on the basis that, despite not having a direct investment interest in AHL, the UKHO board is capable of exercising and exercises, dominant influence over the activities of the corporate group through majority control of the board of directors of AHL and its subsidiary undertakings.
7 POLICY FRAMEWORK OF THE UKHO

The UKHO operates in accordance with statute and the Framework document, approved Corporate Plan, its Trading Fund Order, and such applicable general instructions and guidance as the Owner, HM Treasury and the Cabinet Office may provide from time-to-time. It should follow the standards, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the MOD.

The UKHO is also bound, unless specifically exempted, by cross-Government policies and standards, and by some which are more specific to MOD Trading Funds. The main elements in this framework are set out below and in the following two chapters – policies and standards bearing on the financial management of the UKHO are set out in Chapter 8 and those bearing on human resources management are set out in Chapter 9.

7.1 Parliamentary Accountability
The responsible Minister remains accountable to Parliament on all matters concerning UKHO and, accordingly, retains the right to intervene in the operations of the agency if public or parliamentary concerns justify it.

The UKHO Chief Executive is personally accountable to Parliament for UKHO's performance and the management of the Trading Fund. He or she is required to prepare and place before Parliament Annual Reports and Accounts. The Accounts are subject to audit by the Comptroller and Auditor General (C&AG), who heads the National Audit Office (NAO) and is responsible for scrutinising public spending and safeguarding the interests of taxpayers, on behalf of Parliament. The NAO audits the accounts of central Government Departments and associated public bodies, including UKHO and the other Trading Funds, and holds them to account for the way they use public money, reporting the results of the audits to Parliament. UKHO's accounts are audited by the NAO and the Audit certification is included in UKHO's Annual Report and Accounts13.

Enquiries about UKHO from Members of Parliament, Members of the European Parliament, and Members of the National Assembly for Wales, the Northern Ireland Assembly and the Scottish Parliament who specifically seek a Ministerial response are normally dealt with personally by the Owner. The Owner may also ask the Chief Executive to reply directly to correspondence and about issues delegated to him. Parliamentary Questions relating to the operation of UKHO would normally be answered by the Owner.

As the Accounting Officer, the Chief Executive may be required to appear in person before the Public Accounts Committee (PAC). The Chief Executive may also be required to appear before Select Committee hearings alongside the Owner. He or she is responsible for implementing the recommendations of the PAC or other Parliamentary Select Committees if they are accepted by the Government.

7.2 Parliamentary Commissioner for Administration
The UKHO is subject to the jurisdiction of the Parliamentary Commissioner for Administration or Parliamentary Ombudsman. The UKHO Chief Executive is responsible for the preparation of replies on any matter concerning the operation of the UKHO.

7.3 Information Commissioner

The UKHO is subject to the jurisdiction of the Information Commissioner, an independent regulator sponsored by the Department of Justice, in relation to its obligations under the Data Protection Act, the Privacy and Electronic Communications Regulations, The Freedom of Information Act, the Environmental Information Regulations and the Infrastructure for Spatial Information in the European Community (INSPIRE) Regulations. The UKHO Chief Executive is responsible for the preparation of replies to enquiries from the Information Commissioner on any matter concerning the operation of the UKHO.

7.4 Government and External Stakeholders

7.4.1 HM Treasury

The UKHO will operate in accordance with HM Treasury guidance to Government departments and Trading Funds, unless specific exemptions have been agreed with MOD and HM Treasury.

7.4.2 Department for Business, Innovation and Skills (BIS) and the Shareholder Executive

Shareholder Executive representatives support the Director Financial Management Transformation in protecting the Owner's interests, including on shareholder policy matters and major Trading Fund business decisions. They also directly advise the Owner as a member of the Owner's Council.

7.4.3 Cabinet Office

The UKHO will operate in accordance with all relevant Cabinet Office instructions and guidance, unless specific exemptions have been agreed with MOD and the Cabinet Office.

7.4.4 National Archives (OPSI and HMSO)

The National Archives is an executive agency of the Ministry of Justice. It incorporates the Office of Public Sector Information (OPSI) and Her Majesty's Stationery Office (HMSO).

OPSI is responsible for information policy, setting standards, delivering access and encouraging the re-use of public sector information. It provides a wide range of services to the public, the information industry, Government and the wider public sector relating to finding, using, sharing and trading information. It has an important role as a regulator of public sector information holders, including UKHO, for their information trading activities. OPSI will investigate complaints against UKHO made under the Re-use of Public Sector Information Regulations 2005 and UKHO's practices will be subject to regular verification by OPSI.

OPSI's Information Fair Trader Scheme (IFTS) sets standards for openness, transparency, fairness; compliance and challenge which help ensure users of public sector information will be treated reasonably and fairly. The UKHO is accredited under the IFTS and is committed to the principles of fair, open and transparent information trading. UKHO's IFTS accreditation requires the publication by MOD of UKHO's Public Task, which defines the scope of UKHO's activities to which the Re-Use of Public Sector Information Regulations 2005 – governing how UKHO manages re-use of its data by third parties under licence – apply. The UKHO's Public Task is published on the UKHO website www.ukho.gov.uk.

The Controller of HMSO at the National Archives manages Crown copyright and Crown database rights on behalf of Her Majesty the Queen. The Controller of HMSO has, subject to some constraints, delegated to the UKHO Chief Executive powers to administer and
exploit Crown Copyright and Crown Database rights, whether arising out of the work of the UKHO or acquired by it, including (subject to statutory obligations and policy set by OPSI) the determination of terms and conditions under which permission for their reproduction and use is granted.

UKHO is designated as a place of deposit for hydrographic records under the Public Records Act (as amended). However, UKHO will retain only copies of those paper charts which provide reference data and other information necessary for the conduct of its business. Charts which no longer have such reference value will be transferred to the National Archives for safe keeping and to facilitate access by other Government departments, researchers and members of the public. UKHO will, however, facilitate access to the paper charts it retains for research and other legitimate purposes.

7.4.5 Department for Transport and Maritime and Coastguard Agency
The UKHO acts in support of the Department for Transport shipping safety policies by contributing to the MCA’s objectives. It will support the MCA in its role as the authority responsible for the UK’s discharge of its UN SOLAS Convention obligations, as set out in the UKHO's top-level objectives.

7.4.6 Scotland, Wales and Northern Ireland
The UKHO has responsibility for providing hydrographic and oceanographic services for the whole of the UK, and will maintain links as necessary with the devolved administrations (Scottish Government, the Welsh Government and the Northern Ireland Executive).

7.4.7 International Partnering and External Engagement
The UKHO Chief Executive will represent the interests of the UK at national and international fora, including at the International Hydrographic Organization, and through bilateral arrangements with the hydrographic offices, navies and geospatial agencies of other nations to deliver continually improved hydrographic products and services for UKHO's Defence, Government and commercial customers and for the benefit of its partner organisations. The UKHO Chief Executive may delegate these tasks to the National Hydrographer or other member of the executive team.

7.4.8 Members of the Public
The UKHO will aim to respond substantively within 20 working days to requests for information from members of the public, ensuring compliance with all applicable statutory requirements.

7.5 Delegations
As a matter of policy, the UKHO Chief Executive has delegated authority in the areas of finance, contracts, people management, pay, health, safety and environment management, sustainable development and security. These are articulated in a Letter of Authority issued by MOD PUS and may be sub-delegated within the UKHO.

Of note, the UKHO Chief Executive is authorised to commission contractual commitments but authority to place or amend contracts or to deal with claims arising from them may only be exercised by UKHO staff in receipt of a commercial letter of delegation from the MOD Director Commercial. At UKHO, this authority rests with the UKHO Head of Procurement. Financial and contracting authority will not be vested in the same individual.

In addition to the Chief Executive, the National Hydrographer has authority to sign bilateral arrangements with other national hydrographic officers.
7.6 Safety, Health, Environmental Protection and Sustainable Development
UKHO will maintain comprehensive policies in relation to safety, health and environmental protection in line with the latest MOD and Government guidance. UKHO is regulated by appropriate external bodies including by the Environment Agency and the Health and Safety Executive, or by MOD’s in-house regulators where legislation does not apply, to ensure that it meets the required standards.

UKHO will incorporate sustainable development principles in all its strategies, policies, decision-making processes and associated programmes, projects and activities, as stipulated in the MOD’s Sustainable Development Strategy.

7.7 Security
The UKHO Chief Executive is responsible for meeting the security requirements specified by the MOD Security Officer. The UKHO will be subject to periodic security audit and report by the MOD.

The UKHO Chief Executive will nominate a senior manager (if practicable a member of the UKHO Board) as Trading Fund Security Risk Manager, with responsibility for ensuring that the UKHO manages security risks in line with MOD security policy and corporate governance, and for advising the UKHO Board on security risks that require its attention. The UKHO Chief Executive will also appoint a Trading Fund Principal Security Adviser to manage corporate security staff and to provide security advice to the UKHO Board, the Security Risk Manager and delegated Risk Managers.

7.8 UKHO’s Responsibilities under Competition Law
In competing with other organisations in order to maximise revenue from commercial activities, the UKHO will ensure that it is – and is seen to be – fully compliant with competition (anti-trust) legislation. UKHO will avoid any misuse of any dominant position in a market sector. Processes will be in place to ensure that there is no cross-subsidy between products and services delivered under top-level Objectives 1 and 2.

7.9 Intellectual Property (IP) (excluding Crown Copyright)
Protection of UKHO's IP is vital to the delivery of its commercial objectives. IP rights generated by the UKHO will be administered in accordance with the IPR concordat agreed between the MOD and the UKHO. IPR (excluding Crown Copyright) creates in the course of the UKHO’s business vests in the SofS for Defence and is under the administrative and managerial control of the UKHO. MOD’s Head of Business, Defence Intellectual Property Rights, will provide support and assistance as required.

7.10 Customer Complaints
UKHO complies with MOD and Government guidance on dealing with complaints. Any external complaints or concerns can be raised by telephone, email or post and the complaints procedure, including relevant contact details, is available on the UKHO website.

7.11 Quality Assurance
In order to meet best standards as an employer and supplier, UKHO will maintain accreditation under ISO 9001 (Quality Management Standard) reflecting the reputation for the highest quality and accuracy associated with the Admiralty brand.
8 **FINANCE AND CONTROL FRAMEWORK**

In general, the UKHO Chief Executive may exercise the full financial authority delegated to the MOD by HM Treasury. This authority, which may be sub-delegated to suitably qualified members of staff, will be exercised in accordance with HM Treasury guidance including *Managing Public Money*. The inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed. All novel or contentious items, or issues raising questions of financial principle, will be referred to HM Treasury for approval regardless of the sums involved. The UKHO Chief Executive is expected to consult MOD finance staff before approaching HM Treasury on matters of financial principle, as distinct from individual casework. The Owner will also expect to be consulted if a proposed course of action could have wider implications for the Government, or could generate interest in Parliament.

8.1 **Business Model**

UKHO creates value through the production of navigational charts, hydrographic products and associated marine navigational products and data services from a wide range of sources of information including hydrographic survey data. This enables it to meet the requirements of its Defence and Government customers and provide products and services valued by commercial customers.

Hydrographic survey and other data for UK and international waters will be obtained through arrangements and contracts with a wide variety of bodies nationally, including the Royal Navy and the MCA, and internationally, notably from the hydrographic offices, navies and geospatial agencies of other nations.

The UKHO has adopted a business model which distinguishes clearly between Government and non-Government customers.

In the case of products and services provided to, or on behalf of, Government, prices will be set to recover costs including a return consistent with HM Treasury guidance on the cost of capital for inter/intra departmental services. UKHO maintains Service Level Agreements for services provided within Government which clearly define the outputs and associated costs, and where possible provide incentives for cost-reduction and/or service enhancements.

For products and services provided to commercial customers, UKHO will set its prices at market rates, ensuring that it does not abuse any dominant market position in line with *Managing Public Money* and competition law.

8.2 **Major Decision Making**

The policy governing key financial decisions in UKHO is outlined in Annex C. This sets out the circumstances in which the Chief Executive is required to consult the UKHO Board and Owner before a major investment decision is taken. It also sets out when approval is required from HM Treasury and the Cabinet Office.

8.3 **Capital Structure**

The net assets of the UKHO Trading Fund at vesting day, 1 April 1996, were financed by a combination of loans and Public Dividend Capital. With the concurrence of MOD and the
Chief Secretary to HM Treasury, UKHO has established and maintained general capital and other reserves.

The UKHO, with MOD, reviews its capital structure and funding requirements as part of the annual corporate planning process.

8.4 Loan Funding

The sole provider of loans to the UKHO is the Owner, who sets loan terms on advice from HM Treasury. Where a loan is to be used to finance commercial services or activities rather than to provide non-competed services to Government, the expectation is that the loan shall be made on arm’s-length commercial terms.

All loans will be subject to the presentation of a business case based on business objectives set out in the Corporate Plan and in accordance with the governance arrangements set out in Annex C. Business cases are subject to scrutiny by the MOD and may require approval by the Owner.

The MOD would consult HM Treasury on any proposal to write off a loan to UKHO. A Treasury Minute would be required to advise Parliament of the write-off of any loans in excess of £20m.

The UKHO Chief Executive would consult HM Treasury, through the MOD, on any proposal to establish or write-off a loan to AHL or one of its subsidiaries.

8.5 Income and Expenditure

UKHO revenue derives from payments made by customers for its goods and services and from other exploitation of its assets, data and IPR. All sums received by the UKHO are paid into, and all expenditure incurred is paid out of, the Trading Fund.

8.6 Return on Capital Employed (ROCE)

The Owner, with the concurrence of HM Treasury, will set a ROCE target which reflects the prevailing cost of capital to Government, and the level of risk-adjusted commercial return that should be generated by UKHO under its top-level objective 3.

8.7 Dividend Policy

Unless specifically agreed otherwise, UKHO will provide through interest and dividends to MOD a cash return at least equivalent to its ROCE target. The Owner has the right to seek additional dividend payments where it is judged that the cash position and business circumstances of the UKHO so permit.

8.8 Retained Earnings

UKHO may reinvest retained earnings in the business in line with the Corporate Plan, subject to the delegations set out in Annex C.

8.9 Assets

The UKHO retains, maintains and renews only the assets it needs for its business and disposes of any surplus land, buildings, plant and equipment to improve economy in its operations. Any proposals to alter significantly the assets held by the UKHO will be considered during the corporate planning process and endorsed by the UKHO Board and
approved by the Owner. Appraisals for all major investments will be undertaken in accordance with HM Treasury guidance.

The assets appropriated to the Trading Fund are shown in the Hydrographic Office Trading Fund Order 1996 (as amended by the Hydrographic Office Trading Fund (Variation) Order 1997). Changes in these assets or their valuations will be indicated in the Annual Report and Accounts, and in the UKHO Corporate Plan. Assets appropriated to the UKHO Trading fund are vested in the Secretary of State for Defence.

The UKHO follows the maintenance standards for real estate set out in Defence Infrastructure Organisation (DIO) rules and procedures. Any disposal of land, buildings or other assets will be undertaken only after consultation with DIO to ensure there can be no alternative use by MOD or wider Governments.

8.10 Professional and Other Liabilities
The UKHO will be responsible for all estate asset liabilities occurring after vesting day. The MOD will be responsible for the settlement of third-party claims in respect of incidents which occurred prior to vesting day.

8.11 Capital Investment
The UKHO five-year capital investment programme will be set out in the Corporate Plan following consideration and endorsement by the UKHO Board. Approval of the Plan and its investment programme authorises assumptions on which the UKHO is entitled to plan. Decisions on individual investments in the programme require specific approval under the framework at Annex C.

8.12 Internal Audit
The Chief Executive will ensure that UKHO systems and procedures are subject to regular audit in accordance with Government guidance. The UKHO Chief Executive may choose to employ MOD’s Head of Defence Internal Audit (DIA) or other qualified auditors, so long as they fully meet required Government and Departmental audit standards.

The UKHO Chief Executive and the Audit and Risk Assurance Committee are responsible for commissioning such internal audit services and studies as may be required to ensure proper and efficient management of the UKHO’s affairs. The Chief Executive is required to discharge his or her responsibilities as Accounting Officer, in a manner that best demonstrates value-for-money and in accordance with the Public Sector Internal Audit Standards. The internal audit arrangements will be subject to independent review by MOD’s Head of DIA. A DIA representative will attend UKHO Audit and Risk Assurance Committee meetings, particularly if UKHO chooses not to employ the services of DIA as its internal auditor.

8.13 Risk Management
The UKHO operates risk management processes at all levels, from strategic risks through to project delivery risks. The Audit and Risk Assurance Committee reviews the risk management strategy and, in particular, assesses the adequacy of the internal controls operating within all key processes in relation to risk identification, assessment, response and monitoring.
8.14 Subsidiaries and Joint Ventures
UKHO’s Board must satisfy itself as to the rigour and overall effectiveness of the governance arrangements for any companies administered by UKHO on behalf of the Owner, which may include subsidiaries, joint ventures or other enterprises. To that end, any new business enterprise administered by UKHO will require approval from the Owner. The governance arrangements for UKHO’s subsidiary, AHL, are set out in section 2.5.

9 HUMAN RESOURCES FRAMEWORK

UKHO operates a Human Resources framework in accordance with Civil Service principles. The Chief Executive will maintain a personnel management strategy that enables UKHO to recruit, retain, develop and motivate customer-focussed staff from all parts of the community in the numbers and with the appropriate skills and expertise to meet its aims and objectives, whilst observing the principle of equitable treatment of all.

9.1 Status of Staff and Conditions of Service
The UKHO’s civilian staff are Crown employees and subject to the provisions of the Civil Service Management Code and any relevant Cabinet Office instructions and guidance. For day-to-day management of staff, the UKHO operates as a discrete body within the MOD.

Staff will become members of the Principal Civil Service Pension Scheme or make alternative pension arrangements.

The UKHO Chief Executive has authority for setting the terms and conditions of service for all UKHO civilian staff below SCS level, including pay bargaining, under his or her delegation from MOD PUS. This is carried out under the provisions of the Civil Service (Management Functions) Act 1992. In exercising this authority, he or she will take into account best practice within the wider civil service and any Government and MOD policies on civil servants’ terms and conditions, including any constraints that might apply from time to time.

Where the UKHO Chief Executive wishes to make proposals for changes to existing terms and conditions of employment that would exceed current management flexibilities, these will be agreed with the MOD, HM Treasury and the Cabinet Office, as appropriate.

The terms and conditions of SCS staff will be determined by MOD in accordance with Government policies and constraints and postings will be managed in consultation with MOD’s Director of Human Resources. Remuneration of senior executives will also take into account the advice of the UKHO REMNCO.

Service (military) personnel will be provided to UKHO on full-cost repayment terms where the UKHO Chief Executive considers military expertise is necessary for UKHO to meet its aims and objectives. The Chief Executive has, with regard to military staff, the authority to complement, re-grade or discontinue posts up to 1-star (SCS-equivalent) level, in accordance with MOD's service personnel policies and Single Service Instructions.

The terms and conditions of the UKHO Chair and independent NEDs on the UKHO Board are determined by MOD and set out in their individual appointment contracts. Whilst they will be paid by UKHO, they are not civil servants or UKHO employees.
9.2 Staff Recruitment and Retention
The UKHO Chief Executive will maintain the optimum balance of civilian, military and contract staff on permanent and fixed-term appointments to ensure the most effective and efficient delivery of UKHO's tasks and its products and services. He or she has delegated authority to manage the UKHO's staff complement up to the level of the SCS and to recruit to fill vacant posts directly, determining their tenure and other conditions of appointment. Any changes to the total staff complement should take into account MOD and wider Government constraints on public sector employment and may require external justification, agreement or reporting.

Recruitment of all staff will be based on merit and undertaken on the basis of fair and open competition and any Government constraints that may apply.

MOD HRD will manage the recruitment of SCS-level staff on UKHO's behalf. The establishment of new SCS posts, and any changes to the SCS executive team, will be justified by a business case and the endorsement of the UKHO Board and the approval of MOD PUS.

9.3 Staff Development, Performance Assessment and Progression
The UKHO will ensure that its staff are developed and trained so that they are able to make the maximum contribution to the success of the organisation. Staff will be given the opportunity to participate in management of their personal development and to link their skills and experience with the needs of the organisation. Staff will be supported, as necessary, by a development strategy that offers mentoring, technical, professional and managerial training, and appropriate vocational qualifications.

All staff will participate in performance assessment procedures, and will be encouraged to discuss their development needs as part of the performance appraisal process.

The UKHO will maintain succession plans so that it can quickly replace departing key staff with suitably qualified and competent persons and minimise any adverse consequences for the organisation's performance. Such plans will, however, respect the principles of fair and open competition for posts and appointments on merit.

9.4 Staff Conduct and Discipline
All UKHO staff will be expected to comply with the Civil Service Code and its standards of integrity, honesty, objectivity and impartiality\(^\text{14}\). The UKHO Chief Executive will ensure that civilian disciplinary and cases of poor performance are handled in accordance with MOD guidelines. He or she will have full powers in matters relating to the conduct and discipline of employees, which include dismissal, demotion, loss of seniority, loss of pay, reprimands and postings. UKHO has a grievance policy in place that is available to all staff.

Any conduct or disciplinary issues involving military personnel working for UKHO will be taken forward in consultation with the appropriate personnel staffs in the Front-line Commands.

9.5 Employee Relations
UKHO will encourage and facilitate a two-way flow of information and ideas between management and staff.

The UKHO Chief Executive will ensure that staff are fully consulted about any proposed changes to terms and conditions of service. The UKHO recognises the negotiating rights of the Trade Unions on matters related to pay and conditions of service. The UKHO will engage openly and constructively with them in discussing any proposals for change affecting UKHO staff.

9.6 Equality and Diversity
The UKHO Chief Executive will promote best practice in the area of Diversity and Equal Opportunities, ensuring compliance with all applicable legislation and MOD’s Equality and Diversity policy. He or she will ensure that his or her staff are provided with a working environment free from discrimination and harassment.

9.7 Welfare
The UKHO Chief Executive will maintain a safe and healthy working environment for UKHO's staff and contractors and any visitors to UKHO sites, ensuring compliance with all statutory requirements and MOD policy.

UKHO is committed to maintaining the well-being of its staff and will provide an efficient welfare service to meet their needs. It will support staff who are required to work overseas, including providing healthcare and emergency assistance if required and complying with applicable MOD procedures and standards.
ANNEXES

A. UKHO Public Task
B. UKHO Trading Fund Order and Treasury Minute
C. Governance Arrangements for Major Business Decisions and Government efficiency constraints
D. UKHO governance arrangements
Annex A - UKHO Public Task

The UK Hydrographic Office’s Public Task is:

a. **Satisfy those SOLAS obligations delegated to UKHO**

Source, assess, analyse, archive and maintain hydrographic, oceanographic, geophysical, astronomical and regulatory data required to improve maritime safety, protect the marine environment and maritime trade by the preparation, issue and updating of those charts and publications required for carriage compliance in all waters of UK national responsibility insofar as they are navigable by vessels subject to the International Convention for Safety of Life at Sea or the Merchant Shipping (Safety of Navigation) Regulations, together with the provision of the Radio Navigational Warnings service for UK waters.

b. **Support to the UK National Security Strategy (NSS).**

Improve the effectiveness of UK national defence and security by providing the Royal Navy and other UK Government defence and security customers with the hydrographic, oceanographic, geophysical and astronomical data, products, services and advice which they request, when their requirements cannot be satisfied by the provision of an existing or planned product.

c. **UK Government representation and advice to the UK Government**

Represent the United Kingdom as experts in the fields of hydrography, oceanography, marine cartography, maritime boundaries & limits and computational astronomy, including within the International Hydrographic Organization and its associated bodies. Provide authoritative advice to other parts of UK Government on matters relating to these fields. Such advice will specifically include advice on hydrographic surveying & charting and applications to dump & dredge at sea, advice and support to the Maritime and Coastguard Agency on the UK Civil Hydrography Programme and advice to the public on UKHO charts and publications.

d. **Other legal obligations which fall to UKHO as a public body**

Comply with all relevant legislation including the Public Records Act (including as a Place of Deposit for hydrographic records) and the INSPIRE (Infrastructure for Spatial Information in the European Community) Regulations 2009.

April 2013
Annex B – UKHO Trading Fund Order and Treasury Minute

B(i) The Hydrographic Office Trading Fund Order 1996

STATUTORY INSTRUMENTS

1996 No. 773

GOVERNMENT TRADING FUNDS

The Hydrographic Office Trading Fund Order 1996

Made 8th March 1996
Coming into force 1st April 1996

Whereas:

(1) It appears to the Secretary of State for Defence ("the Secretary of State") that:—

(a) those operations of the Ministry of Defence which are referred to in Article 2 of, and Schedule 1 to, this Order are suitable to be financed by means of a fund established under the Government Trading Funds Act 1973[1] ("the 1973 Act") and, in particular, to be so managed that the revenue of the fund would consist principally of receipts in respect of goods or services provided in the course of the operations in question, and

(b) the financing of the operations in question by means of a trading fund would be in the interests of the improved efficiency and effectiveness of the management of those operations;

(2) The Secretary of State has, in accordance with section 2 of the 1973 Act and with the concurrence of the Treasury, determined what Crown assets and liabilities are properly attributable to the operations in question and are suitable to be appropriated to the fund;

(3) In accordance with section 6(2) of the 1973 Act, a draft of this Order has been laid before the House of Commons and has been approved by a resolution of that House;

Now, therefore, the Secretary of State in exercise of the powers conferred upon him by sections 1, 2, 2AA(1), 2A(1), 2C(1) and 6(1) of the 1973 Act, and of all other powers enabling him in that behalf, with the concurrence of the Treasury, hereby makes the following Order:—

Citation and commencement
1. This Order may be cited as the Hydrographic Office Trading Fund Order
1996 and shall come into force on 1st April 1996.

**Establishment of the fund**

2. As from 1st April 1996, for all the operations of the Ministry of Defence known as the Hydrographic Office, which operations are more particularly described in Schedule 1 to this Order, there shall be established a trading fund to be known as the Hydrographic Office Trading Fund (hereinafter referred to as "the fund").

**Source of loans**

3. The Secretary of State for Defence is hereby designated as the source of issues to the fund by way of loan.

**Assets, liabilities, reserves and public dividend capital**

4.—(1) The Crown assets and liabilities set out in Schedule 2 to this Order shall be appropriated as assets and liabilities of the fund.

   (2) 5.1 per cent of the amount by which the values of the assets exceed the amounts of the liabilities shall be treated as a revaluation reserve in the accounts of the fund and the reserve so treated shall be maintained as a revaluation reserve.

   (3) 47.3 per cent of the balance of
   
   (a) the amount by which the values of the assets exceed the amounts of the liabilities, less
   
   (b) the amount to be treated as a revaluation reserve in accordance with paragraph (2) above,
   
   shall be treated as public dividend capital of the fund.

**Maximum borrowing etc.**

5. The aggregate of the following shall not exceed £50,000,000

   (a) the total outstanding at any given time in respect of amounts issued to the fund under section 2B of the Government Trading Funds Act 1973 (other than as originating debt), and

   (b) the total at that time constituting public dividend capital issued to the fund under section 2A(2A) of that Act.

Michael Portillo
Secretary of State for Defence

6th March 1996

We concur

Simon Buras
Bowen Wells

Two of the Lords Commissioners of Her Majesty’s Treasury

8th March 1996
SCHEDULE 1

FUNDED OPERATIONS

The operations of the Hydrographic Office to be funded by the fund are:—

(a) the provision of hydrographic, oceanographic, geophysical and associated goods and services to the Ministry of Defence and to other Crown bodies;

(b) the provision of such goods and services to other customers;

(c) operations incidental, conducive or otherwise ancillary to the foregoing.

SCHEDULE 2

ASSETS AND LIABILITIES APPROPRIATED TO THE FUND

ASSETS

Land and buildings, as at 1st April 1996, used or allocated for use in the funded operations.

Plant, facilities, machinery, fixtures, fittings, vehicles, equipment and computer hardware and software, as at that date, used or allocated for use in the funded operations.

Intangible assets arising from the funded operations as carried on up to that date.

Current assets as at that date used or allocated for use in, or arising from, the funded operations.

LIABILITIES

Creditors and accruals as at 1st April 1996 in relation to the funded operations.

Provision for sales credits, as at that date, referable to the return by Admiralty Chart Agents of superseded charts and publications pertaining to the funded operations.
HM TREASURY

UK HYDROGRAPHIC OFFICE TRADING FUND

MINUTE TO PARLIAMENT

1. Section 4(1) of the Government Trading Funds Act 1973 ("the 1973 Act") provides that a trading fund established under the Act shall be under the control and management of the responsible Minister and, in the discharge of his function in relation to the fund, it shall be his duty:

To manage the funded operations so that the revenue of the fund:

(i) consists principally of receipts in respect of goods and services provided in the course of the funded operations, and

(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

To achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

2. A Trading Fund for the UK Hydrographic Office was established on 1 April 1996 under the UK Hydrographic Office Trading Fund Order (SI 1996 No. 773).

3. The Secretary of State for Defence, being the responsible Minister for the purposes of Section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the UK Hydrographic Office Trading Fund for the 3-year period from 1 April 2014 to 31 March 2017 shall be to achieve a return, averaged over a five year period from 1 April 2012, of 9.0 per cent in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed shall consist of the capital (PDC and long-term element of loans) and reserves.

4. This minute supersedes that dated 31 March 2009.

5. Let a copy of this Minute be laid before the House of Commons pursuant to Section 4(1) of the Government Trading Funds Act 1973.

HM TREASURY
25 June 2014
Annex C – Governance Arrangements for Major Business Decisions and Government Efficiency Constraints

Governance Arrangements for Major Business Decisions

In general, the UKHO Chief Executive may exercise the full financial authority delegated to MOD by HM Treasury. However certain constraints apply. No expenditure may be incurred which is illegal. All novel or contentious items, or those with wider implications for the Department or likely to generate public or Parliamentary interest, are to be submitted to the Owner for approval. Any expenditure which is novel, contentious or repercussive, or in some other way at odds with HM Treasury guidance, will require approval by both MOD and HM Treasury, irrespective of size.

These governance arrangements will be considered in conjunction with the cross-Government constraints issued by HM Treasury and Cabinet Office, and in accordance with Managing Public Money. They will be reviewed from time to time by the Owner in conjunction with the UKHO Chair and UKHO Chief Executive. Additional external approvals may also be required. Thresholds relate to proposals’ whole-life costs.

<table>
<thead>
<tr>
<th>Type of Expenditure ¹⁵ or other item</th>
<th>Threshold above which the UKHO Chief Executive will seek the UKHO Board’s endorsement ¹⁶</th>
<th>Threshold above which the UKHO Chief Executive (through the HOB) will seek the Owner’s approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure (excluding property) included in the Corporate Plan.</td>
<td>£2,000,000</td>
<td>£8,000,000</td>
</tr>
<tr>
<td>Capital Expenditure (excluding property) not included in or going beyond, the Corporate Plan.</td>
<td>£1,000,000</td>
<td>£4,000,000</td>
</tr>
<tr>
<td>Non-Capital Expenditure (excluding property) included in the Corporate Plan</td>
<td>£4,000,000</td>
<td>£8,000,000</td>
</tr>
<tr>
<td>Non-Capital Expenditure (excluding property) not included in, or going beyond, the Corporate Plan.</td>
<td>£2,000,000</td>
<td>£4,000,000</td>
</tr>
<tr>
<td>Capital Expenditure on Land and Buildings (excluding maintenance)</td>
<td>£500,000</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>Corporate transactions (purchase or sale of subsidiaries)</td>
<td>Nil</td>
<td>£10,000,000</td>
</tr>
</tbody>
</table>

¹⁵ All expenditure should initially be subject to the UKHO’s own internal approvals processes – e.g. through the UKHO Project Approvals Board.

¹⁶ If the UKHO Board cannot agree to endorse an expenditure proposal submitted by the Chief Executive, the Head of HO&CSF will refer the matter to the Owner for a decision. The Ministerial submission will make clear the reasons why Board endorsement was not forthcoming. The Chair of the Board or individual members have no authority, on their own, to block proposals from the Chief Executive.
<table>
<thead>
<tr>
<th>Type of Expenditure or other item</th>
<th>Threshold above which the UKHO Chief Executive will seek the UKHO Board’s endorsement</th>
<th>Threshold above which the UKHO Chief Executive (through the HOB) will seek the Owner’s approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions leading to Write-Offs/Write Downs</td>
<td>£500,000</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>Loan applications</td>
<td>£500,000</td>
<td>£2,000,000</td>
</tr>
<tr>
<td>Special Payments: Ex-gratia; gifts</td>
<td>£250,000</td>
<td>£250,000</td>
</tr>
<tr>
<td>Extra-contractual</td>
<td>£250,000</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>External Assistance (contract total)</td>
<td>£250,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>

3. Bids and Sales Contracts

| Binding bids and sales contracts included in the Corporate Plan | £5,000,000 | £20,000,000 |
| Binding bids and sales contracts not included in, or going beyond the scope of, the Corporate Plan | £3,000,000 | £12,000,000 |

**Government efficiency constraints on expenditure by Departments and Sponsored Bodies**

UKHO will comply with any applicable additional constraints on expenditure that may be determined by Government from time to time, unless an exemption has been agreed by MOD, HM Treasury or the Cabinet Office.

Current Government efficiency constraints on Departmental and Trading Fund expenditure require HM Treasury and Cabinet Office approval of expenditure above certain limits and the use of the Crown Commercial Services (CCS) for procurement of certain common goods and services.

The constraints applicable at the time of publication of this Framework Document are set out in the table below. Where it is exempt from a constraint (shown as notification in the table), the UKHO Chief Executive will notify the MOD designated point of contact of any plans for expenditure above the thresholds laid down.

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17 All special payments require HM Treasury approval prior to payment, in accordance with guidance in *Managing Public Money*
<table>
<thead>
<tr>
<th>Expenditure</th>
<th>UKHO Requirement</th>
<th>Thresholds By UKHO Chief Executive</th>
<th>Thresholds By HM Treasury</th>
<th>MOD Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising, Marketing and Communications</td>
<td>Notification</td>
<td>£100k</td>
<td>£100k</td>
<td>Director Defence Communication</td>
</tr>
<tr>
<td>Strategic Supplier Management, including disputes</td>
<td>Notification</td>
<td>£5m</td>
<td>£100m</td>
<td>Director Commercial</td>
</tr>
<tr>
<td>Commercial Models</td>
<td>Approval</td>
<td>See footnote</td>
<td>£100m</td>
<td>Director Commercial</td>
</tr>
<tr>
<td>Information &amp; Communications Technology</td>
<td>Notification</td>
<td>£1m or £5m</td>
<td>£1m or £5m</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Digital Service Delivery</td>
<td>Approval</td>
<td>All digital services</td>
<td>£100m</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>External Recruitment</td>
<td>Notification</td>
<td>As set out in the Corporate Plan</td>
<td>N/A</td>
<td>Director Human Resources</td>
</tr>
<tr>
<td>Consultancy</td>
<td>Notification</td>
<td>£20k and/or &lt;9 months duration</td>
<td>£100m</td>
<td>Director Resources, Head Office &amp; Corporate Finance</td>
</tr>
<tr>
<td>Redundancy &amp; compensations schemes</td>
<td>Approval</td>
<td>All schemes</td>
<td>All schemes</td>
<td>Director Human Resources</td>
</tr>
<tr>
<td>Civil Service Learning</td>
<td>Notification only</td>
<td>Departmental specific L&amp;D</td>
<td>£100m</td>
<td>N/A</td>
</tr>
<tr>
<td>Property</td>
<td>Approval is required from MOD for all property acquisition or disposal.</td>
<td>£100k</td>
<td>£100m</td>
<td>Defence Infrastructure Organisation</td>
</tr>
</tbody>
</table>

18 Cabinet Office Controls version 3.2 dated 11 July 2014
19 Within scope are any new contract or extension or material amendment to an existing contract with the Government's Strategic Suppliers, or any disputes with those suppliers.
20 Within scope are any planned business disposal or establishment of a new subsidiary organisation, irrespective of value, or any outsourcing contract with a value of more than £5m.
21 The threshold of £1m applies for all ICT systems that support administration, including finance, HR or procurement activities or upgrades and hosting contracts for such systems. For all other ICT systems, the threshold is £5m.
22 Approval is also required from the Cabinet Office for all schemes.
23 UKHO has signed up for, and uses, Civil Service Learning.
24 Within scope are the signing of new leases, renewal of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Private Finance Initiative provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls; all Facilities Management contracts regardless of value.
The Crown Commercial Service (CCS) is the mandated route for all central government procurement of Common Goods and Services, and a programme to transition this service from UKHO to CCS will be undertaken during 2015/16.

The UKHO will publish online information on all organisational expenditure over £25,000 and against the categories set out in the table, in accordance with the format specified by the Cabinet Office.
Annex D – Governance arrangements for UKHO