



Ministry
of Defence

Review of the Service Museums

National Museum of the Royal Navy

National Army Museum

Royal Air Force Museum

24 January 2017

Review of the National Museum of the Royal Navy, the National Army Museum and the Royal Air Force Museum

Contents

Executive Summary	1
List of key recommendations.....	4
Chapter 1: Introduction and Background.....	7
Chapter 2: Functions and form of the museums	25
Chapter 3: Improving the effectiveness of the Service museums.....	30
Chapter 4: Improving the efficiency of the museums	37
Chapter 5: Corporate Governance	43
Annex A: Terms of Reference for the Review	
Annex B: List of stakeholders consulted	
Annex C: Summary information: visitor numbers, staff numbers and income and expenditure for the last five years	
Annex D: Detailed assessment of Corporate Governance	

Executive Summary

Introduction

1. The review of the National Museum of the Royal Navy (NMRN), the National Army Museum (NAM) and the Royal Air Force Museum (RAFM) (hereafter referred to collectively as 'the Service museums') was launched on 15 October 2015 by the laying of a Written Ministerial Statement in Parliament by the Ministry of Defence's (MOD) Minister of State in the House of Lords. This review is a requirement of government's public bodies reform programme, which requires a robust challenge to the continuing need for non-departmental public bodies (NDPBs) and regular review of their functions, performance, control and governance arrangements.

2. In addition to their classification as public bodies, the Service museums are also registered charities and the NMRN and NAM are incorporated legal entities. They are classified as Non-Departmental Public Bodies (NDPB) and are sponsored by the MOD. The MOD sponsorship role provides the necessary strategic alignment with overall MOD objectives and ensures that annual funding from the Department in the form of a 'grant in aid' is managed effectively. From time to time, the MOD provides other ad hoc support (for example, the transfer of ownership of surplus military equipment) to the Service museums to support their business objectives and to enhance their collections. Over the last few years, the majority of the Service museums' income has been from the MOD grant in aid but they also receive funding from other grants sources (most notably the Heritage Lottery Fund (HLF)), general donations, trading and commercial activity.

3. More broadly, the Service museums contribute to their local economies; enhance national and international understanding of the UK's military and social history, and support the wellbeing of UK citizens through cultural engagement.

Conclusion

4. All stakeholders interviewed agreed that the functions of the Service museums continued to support MOD objectives and the public body classification as an NDPB remained valid, at least for the medium-term. The review team agreed with this, noting that the Service museums are already working together to identify best practise and potential savings through joint working. However there are inconsistencies in how the Service museums operate and their relationship with the MOD needs clarifying and strengthening. Finally, the financial dependency of the Service museums on the MOD would require careful review should a change in status be recommended in future.

Main Findings

5. The review team interviewed a group of key stakeholders who were in the main, keen that the museums maintained a close link to the core MOD and remained in their current form. Stakeholders were generally positive about how well the Service museums were

delivering their main functions and were supportive of their future planned direction – each of the Service museums are currently in the process of major reorganisation or redevelopment which will greatly enhance their visitors' experience and improve the general efficiency of the organisations. The Service museums are operating successfully, with year on year increasing visitor numbers and positive visitor feedback.

6. Although the Service museums' Boards have the legal authority and expertise to run the museums on a day to day basis they are classified by government as public bodies and receive funding from the MOD because of their support for the delivery of MOD objectives. The review team felt that more could be done by the MOD TLB sponsor organisations to define, measure and 'Champion' the role of their Service museum, recognising that there was a strong mutual dependency between the Service museums and the core MOD department in the delivery of MOD heritage objectives. The Review Team felt that greater benefits could be achieved if the involvement of the MOD was better defined and the benefits to MOD of funding the Service museums better understood and quantified.

7. Having identified the functions currently carried out by the Service museums (both in support of MOD and also more generally as part of the UK's collection of national museums), the review concluded that they should continue in support of the MOD. In judging whether there was a need for delivery of these functions by a public body and at arm's length from government, the review concluded that at least for the medium term, the Service museums could not be sustained without grant in aid funding from the MOD and alternative models including contracting out were not appropriate for the function performed. Application of the three NDPB tests also concluded that the Service museums met the first test to provide specialist expertise which is not available in the core MOD (or elsewhere in central government, as national museums all operate at arms-length from their sponsor department). Political impartiality would also be required from the Service museums as they operate as charities.

8. The key recommendations in this review consider the extent to which the Service museums do support MOD; how the benefits of this are measured and the involvement of the MOD sponsor organisations in supporting the strategic decision-making of the Service museums. The mission of the museums, to build the link from the past, to the present and to the future of the Armed Forces and proactively engage with local communities and other interest groups was seen as a real positive, with the review team recommending a continuation and enhancement of the existing relationships with the MOD sponsor teams, DCMS and other relevant regional and professional organisations such as the National Museum Directors Council, to continue to build on this recognised and valued strength.

9. The Service museums operate in a crowded market place where they must ensure they continue to deliver to a high standard whilst working alongside other museums and tourist attractions to increase visitor numbers and commercial income. The review makes a recommendation that the Service museums agree targets with the MOD against these and other key performance indicators and where appropriate, pool expertise, including taking further direction from DCMS on broader cultural and best practice issues as appropriate. DCMS have other important drivers for maintaining museums; to contribute towards economic growth, enhance international understanding of the UK and to play an important part in the sociability and social wellbeing of citizens of the UK. The Culture White paper,

published in March 2016, sets out an expectation that every government-funded cultural body, including museums, should reach out to everyone, regardless of their background.

10. Over the last few years, there has been some discord from the Service museums about how their classification as a public body (and with it certain obligations to manage in line with Treasury and Cabinet Office financial management and reporting guidelines) sits alongside their status as charities and/or incorporated bodies managed by a Board (or in the case of the NAM a Council) with clearly defined legal obligations. These arrangements will inevitably create issues of conflict from time to time. Cabinet Office provides advice on the governance of ALBs but given the number and broad range of types of NDPB the general guidance does not cover every potential scenario.

10. Classification as a public body although not a legal status, clearly comes with an obligation (ultimately to Parliament and the taxpayer) particularly if there is a large element of public funding to the body. To help provide clarification in this area, the review team have made recommendations about revising the Framework Documents to clearly set out the role of the MOD as Sponsor and how this role sits alongside the day to day running of the Service museums by their Boards. This review also addresses the point about the extent to which the MOD itself may be seen as ultimately liable for the performance and longer term financial stability of the Service museums and considers the advantages of having some central MOD oversight of aspects of financial and non-financial performance of across the three Service museums on support of the traditional MOD Single Service sponsorship role.

11. Finally, in the context of the drive for greater efficiency within the MOD and across government, the review also makes recommendations about how the Service museums could make further efficiency improvements and share best practice. This should build on existing joint working across the Service museums.

12. A list of key recommendations can be found at the end of this Executive Summary.

List of key recommendations

Chapter 2 - Functions and form

Recommendation 1 The National Museum of the Royal Navy, the National Army Museum and the RAF Museums remain necessary and should continue to deliver a public service in support agreed MOD objectives as NDPBs.

Recommendation 2 The three Service museums should remain as NDPBs sponsored by the MOD (rather than DCMS) but links to best practice and advice from DCMS should be more directly pursued.

Chapter 3 – Improving the effectiveness of the Service museums

Alignment of MOD and Service museums' objectives and performance indicators

Recommendation 3 MOD TLB Command Plans should describe how the Service museums contribute to MOD objectives and agree this with the Service museums.

Recommendation 4 MOD and the Service museums should agree and record a small number of Key Performance Indicators (KPIs) to measure key aspects of financial and non-financial performance in line with agreed objectives and funding arrangements. This may also include input from DCMS on broader expectations for the museums sector.

Recommendation 5 The role and purpose of the Army's Regimental museums should also be included in the Army TLB Command Plan to improve transparency over their objectives and purpose alongside those of the NAM.

Strategic direction and the role of the MOD as Sponsor of the Service museums

Recommendation 6 The MOD sponsor organisations should consistently provide senior representation when invited to the Service museums Board/Council meetings.

Recommendation 7 The MOD Sponsor organisations should do more to Champion the Service museums within MOD and more generally.

Recommendation 8 Framework Documents should be amended in line with MPM and to include: the roles and responsibilities of the Sponsor alongside those of the Board/Council; the obligations of NDPB status in relation to the principles of good corporate governance and a dispute mechanism, if appropriate.

Funding of the Service Museums and management of financial risk

Recommendation 9 The Service sponsors should agree targets with the Service museums to increase non-public funding over the medium term and to review how public funding can be reduced.

Recommendation 10 MOD should more formally check that major capital investment proposals (threshold to be agreed) are appraised and managed in line with the MPM and longer term support costs adequately assessed. These considerations should link to the strategic objectives of the Service museums about intended size and scope.

Recommendation 11 MOD should consider creating a central NDPB/ALB expert role to provide oversight across the Service museums (and other ALBs) to allow for consistency of approach, management of financial risk across the entities, and to be the focus for interactions with the Cabinet Office, DCMS, Charities Commission and other leads.

Recommendation 12 MOD should carry out a benchmarking and review of the Service museums' financial plans. This would be with the intention of assessing the baseline financial position.

Updating and aligning Framework Documents

Recommendation 13 The Review team felt that as far as possible the three Service museums' Framework Documents should cover the same headings and use the template set out in MPM.

Recommendation 14 The Framework Documents should refer to arrangements to interface with Service museums generally not just use of the grant in aid.

Recommendation 15 MOD should carry out a consistency check across the individual Service Museums' Framework Documents and ensure recommendations from this review are incorporated.

Recommendation 16 Revised Framework Documents should be agreed by the central MOD policy authority, HM Treasury and the museum Boards.

Chapter 4 – Improving the efficiency of the Service museums

Targets

Recommendation 17 The MOD should agree efficiency targets with the Service museums. These targets need not necessarily relate to just agreeing efficiencies but could instead be linked to return on investment (e.g. achieving more visitor numbers per £100 of grant in aid spend). The Service museums should engage with the Cabinet Office to ensure opportunities to generate efficiencies are maximised.

Workforce

Recommendation 18 The Service museums should regularly review, benchmark and compare their staffing structures to ensure that they have the right number of staff employed in the right areas and that the costs of these staff are appropriate.

Commercial Models and Relationships

Recommendation 19 The Service museums should share ideas and best practice on how to optimise their commercial strategy to provide both the best possible visitor experience and

return on the use of their assets. The Cabinet Office (Commercial Models Team) should be consulted for expert advice in this area.

Construction and Property

Recommendation 20 The Service museums should consider how they can jointly make better use of their estate – for example sharing storage facility space on either a short-term or long-term basis.

Procurement and Shared Services

Recommendation 21 All Services Museums should make full use of Crown Commercial Services for the procurement of common goods and services.

Chapter 5 – Corporate Governance

Accountability

Recommendation 22 The status of the NMRN in not being registered as a Public Authority under Schedule 1 of the Freedom of Information Act, and in also not being subject to the Public Records Acts of 1958 and 1967, seems incorrect and needs to be investigated and resolved.

Recommendation 23 The Service museums compliance with the ‘Museums’ Freedoms Package’ should be checked by the MOD sponsor organisations.

Roles and Responsibilities

Recommendation 24 The Service Museum Boards/Council should establish a Framework of Strategic Control and/or Scheme of Delegation to specify which matters are specifically reserved for the collective decision of the Board.

Recommendation 25 The NAM should consider whether it has sufficient financial expertise at a senior level to provide appropriate support to the Board.

Effective Financial Framework

Recommendation 26 Each Service museum needs to document and/or update its financial procedures to define and govern the required approach.

Conduct and Behaviour

Recommendation 27 All Service museums should review their Code of Conduct and/or Ethics and Value Statements to ensure that there is specific documentation covering both staff and board members that is compliant with the Cabinet Office Code.

Chapter 1: Introduction and Background

Aim of the review

1.1. It is government policy that a Non-Departmental Public Body (NDPB) should only be established, or remain in existence, where the model can be clearly evidenced as the most appropriate and cost-effective way of delivering the function(s) in question.

1.2. In April 2011, the Cabinet Office announced that all NDPBs still in existence following the reforms of public bodies would have to undergo a review at least once every three years. The Cabinet Office's approach to reviews of NDPBs has recently changed to increase the focus on a programme of cross-departmental, functional reviews co-ordinated by the Cabinet Office, coupled with on-going, robust 'tailored reviews' led by departments with Cabinet Office oversight and challenge. Reviews should not be overly bureaucratic and should be appropriate for the size and nature of the organisation being reviewed and the significance of the organisation to the department. This review of the Service museums follows the principles set out in the Cabinet Office guidance 'Tailored Reviews Guidance on Reviews of Non-Departmental Public Bodies, February 2016'¹. This includes taking Cabinet Office advice to carry out a single 'cluster' review of the National Museum of the Royal Navy, the National Army Museum and the RAF Museum (hereafter referred to collectively as 'the Service museums').

1.3. Tailored reviews have the following aims:

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

Process

1.4. The review was launched on 15 October 2015 by Written Ministerial Statement presented in the House by Lord Howe, Minister of State for the MOD. It was carried out by a review team led by a nominated MOD official. The terms of reference for the review are at Annex A. The Chief Executives of the Service museums were engaged in the review.

¹ <https://www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance>

Evidence and stakeholder engagement

1.5. The review team identified the key stakeholders and they were interviewed individually by the review leads. The majority of the stakeholders consulted represented government (for example, senior military sponsors, MOD heritage and finance branches and the Cabinet Office) or the museums themselves. A full list of stakeholders consulted is at Annex B. Other evidence was drawn from relevant reports (referenced in this review report) and the Service museums' own data on for example, visitor numbers. All the review's conclusions and recommendations are based on an assessment of the evidence provided.

Overview of the Service museums

1.6. There are many museums or heritage sites with a military focus within the UK. These range from small privately-owned collections through to the three national Service museums covered by this review. This multitude of organisations are funded through a variety of sources: private subscription, government or other grant funding, legacies, fees and charges, trading activity and fundraising activities. The majority of these organisations do not receive direct government support, although the MOD may give surplus equipment or one-off grant funding to organisations for a particular purpose, but this is not common. Of note within this collection of independent museums is the Army's network of Regimental museums of which there are 69 located throughout the UK. These museums have a very close link to the Army, supporting and enhancing the regimental structure and culture but operating as independent trusts. The Regimental museums receive financial support from the MOD and the MOD carries out an assurance role to check they are managed effectively (in part because they often are sited on MOD property). This review is not required to consider the status or role of the Regimental museums but some stakeholders consulted expressed an interest in creating a stronger interface between the NAM and the Regimental museums (enhancing the existing role of providing ad hoc support and advice). The review team concluded that the MOD's objectives and prioritisation of funding for the Regimental museums needed to be clearly set out alongside those of the NAM and have made a recommendation accordingly.

1.7. The Service museums covered by this review are the three organisations that the MOD has chosen as the focus for maintaining the heritage of the three Services; for supporting broader defence and cultural objectives around outreach and community engagement as well as being the custodians of key heritage assets for the Nation. The Service museums have a clear remit to tell the complete story of the Service they represent – linking the past with the present and making links to the future.

Location and Organisation

1.8. National Museum of the Royal Navy (NMRN)

Key Facts (2014-15)*	
Annual operating spend	£17.9M
Value of assets	£146M
No of staff employed	182

Annual visitor numbers	895,800
------------------------	---------

**All figures taken from the 2014-15 NMRN accounts.*

1.9. The NMRN has seven main sites across the UK; the National Museum in Portsmouth; the Royal Marines Museum in Eastney; the Royal Navy Submarine Museum; Explosion! Museum of Naval Firepower in Gosport; the Fleet Air Arm Museum in Yeovilton; HMS Caroline located in the Alexandra Dock in Belfast and HMS Trincomalee in Hartlepool. In addition, the NMRN owns half of the surviving historical naval vessels in Britain (seven out of fourteen). These include the First Sea Lord's Flagship, HMS Victory based in Portsmouth and HMS Alliance, the last surviving British submarine of the Second World War. This collection of naval vessels covers the period from the laying down of Victory in 1759 to the decommissioning of HMS Alliance in 1973.

1.10. The headquarters of the NMRN, which has the greatest concentration of assets, is situated within the Portsmouth Historic Dockyard (PHD) which is alongside the Royal Navy's main operating base in Portsmouth. The PHD itself has other charitable attractions on site and from 1 December 2014, the NMRN as part of a Joint Venture (JV) with Portsmouth Naval Base property Trust, the Mary Rose Trust and the Warrior Preservation Trust assumed responsibility for collection and distribution of ticketing income for the four members of the JV on the PHD site. This was achieved by formal transfer of the undertakings of the Portsmouth Historic Dockyard (PHD) to the NMRN.

1.11. The NMRN was created by a decision of the Navy Board and came into being in 2008 with the intent to bring the then four naval service museums together into a single organisation. Since then, the NMRN has carried out significant rationalisation of its management structure and invested heavily in establishing the new collective NMRN structure.

The NMRN's mission is:

1.12. 'To be a beacon of excellence in enabling people to learn, enjoy and engage with the story of the Royal Navy and understand its impact in shaping the modern world.'

1.13. **National Army Museum (NAM)**

Key Facts (2014-15)*	
Annual operating spend	£5.9M
Value of assets	£96M
No of staff employed	66
Annual visitor numbers	184,695

**All figures taken from the 2014-15 NAM accounts. The NAM museum closed for refurbishment in 2014-15, average visitor numbers for the previous three years was 256,694. During the period of closure the NAM has managed a number of temporary exhibitions around the UK.*

1.14. The NAM was established by Royal Charter in 1960 and has its main site in Chelsea, adjacent to the Royal Hospital Chelsea. It also has an outstore and outreach base in

Stevenage and has a presence in Old College, Royal Military Academy Sandhurst. The NAM prides itself on its independence playing a non-partisan role between the Army and the general public in a country where fewer and fewer people have any direct experience of being in the Army.

1.15. The NAM's collection is both extensive and world class and includes items ranging from the skeleton of Napoleon's horse Marengo through to personal artefacts and stories from soldiers serving in the most recent military operations.

1.16. In line with its vision to become a first class museum that moves, inspires, challenges, educates and entertains, the NAM is currently in the middle of an extensive refurbishment programme to support its 'Building for the Future' project. This has meant closing the main museum from April 2014 with a planned re-opening early in 2017. This is a major refurbishment project attracting Heritage Lottery Funds of £11.5M and requiring the decant of some 500,000 collection items to specialist warehousing facilities in Hertfordshire. During the refurbishment period the NAM has expanded its programme of outreach activities across the UK and overseas.

The NAM's mission is:

1.17. 'To gather, maintain and make known the story of the British army and its role and impact in world history. To provide a museum experience that meets the widest range of public need and connects the British public with its Army.'

1.18. **RAF Museum (RAFM)**

Key Facts (2014-15)*	
Annual operating spend	£12.8M
Value of assets	£90M
No of staff employed	182
Annual visitor numbers	724,525

*All figures taken from the 2014-15 RAFM accounts.

1.19. The RAFM occupies two public sites at Colindale, North London and at Cosford in the West Midlands, with a major storage hangar in Stafford. The museum has vast collection of aircraft archives and other artefacts which tells the RAF history over the last century. Aircraft on display include the Bleriot X1 dating from the early 20th century; Battle of Britain aircraft including the Hurricane and Spitfire and more modern aircraft such as the Harrier GR3.

1.20. The Colindale site is located in a former Hendon Aerodrome with five major buildings and hangars supported by its own car parking facility, an important revenue stream for the museum.

1.21. The RAFM was established in 1968 as a legacy of the RAF's fiftieth anniversary, opening on the Hendon site in 1972. As part of its current strategic plan the current focus

for the RAFM is the RAF Centenary in 2018. An ambitious 'Centenary Programme' will transform the London site by offering new galleries and exhibitions as well as new spaces and facilities to improve the visitor experience. The first phase of the programme completed at the end of 2014 with the creation of a permanent exhibition 'The First World War in the Air' and this was the Winner of the National Lottery Best Heritage Project Award 2015. A major refurbishment of the Hendon site will be completed by 2018 and new developments at RAF Cosford by 2022.

The RAFM's ambition is:

1.22. 'To ensure that the RAF's story endures and enriches future generations'.

Common Purpose of the Service Museums

1.23. The Service museums intent is to offer a world-class visitor experience by maintaining extensive and relevant collections of equipment, artefacts, photographs and other material relevant to the Service they represent. The museums are a focal point for academic research and each has a programme of outreach activities with local schools and their local communities. Increasingly, the museums are looking at ways to broaden their outreach activities by for example, the employment of apprentices and promotion of the Science, Technology, Engineering and Mathematics (STEM) agenda which is brought alive for school children through the collections and technology stories of the Services.

1.24. There is also an understanding of the need to engage with and encourage visitors from a broad spectrum of the population to contribute to community wellbeing through interaction with culture generally and through understanding how the military story has shaped the social history of the UK. Museums increasingly use websites and other media to share their knowledge and resource bases as well as to attract new visitors to their physical sites.

1.25. The Service museums all rely heavily on the support and enthusiasm of a part-time volunteer workforce to support their operations and this support is highly valued and encouraged.

Free Admission

1.26. The government introduced universal free entrance to the permanent collections of the national museums and galleries in December 2001 and this commitment was restated as part of the 2010 Spending Review. It is the government's belief that national collections should be available to all and evidence shows that for the majority of museums when the entrance fee was withdrawn, visitor numbers increased (although many of the DCMS-sponsored national museums do charge for special exhibitions and for entry to subsidiary sites). Local authority museums not constrained by the government's charging policy are beginning to consider charging (not least to avoid selling key assets). The view of senior military stakeholders consulted was very much that free entry to the Service museums was the ideal model as easy accessibility by the public was key and that any proposal for change would need to be considered in the context of overall government policy and the general direction of the wider museum sector.

1.27. The NAM has always had free entry and the RAFM introduced free admission in 2001 to align with government policy (and to help transition, the grant in aid funding from the MOD increased). The NMRN is different, charging for entry to its museums, including collecting a charge for the NMRN at Portsmouth as part the overall ticket price for entry to the Portsmouth Historic Dockyard (which includes other attractions such as the Mary Rose).

1.28. This disparity in admissions policy between the Service museums was not widely known by stakeholders and there appears to be no pressure to change these arrangements. Any proposed change the arrangements at the NMRN would not be straightforward given their participation in the joint venture with other partners at the dockyard. Equally it may not be desirable or affordable for the NMRN or the MOD to change the charging model (as MOD funding to the museum may have to increase to compensate for loss of admissions income). The review team suggest this issue is reviewed again alongside the outcome of the DCMS wider review of museums which is expected to be completed in early 2017.

Staffing and Funding of the museums

1.29. The table at Annex C provides a breakdown of the staff numbers employed by the museums over the last four years and the main funding flows; the majority of their running costs funding comes from the grant in aid provided by the MOD. Other funding comes from other grant providers, most notably the Heritage Lottery Fund (HLF) (for larger capital projects) and donations from private individuals and corporate entities. Each of the museums has a trading company which runs the museum shop and other trading ventures. In 2014-15 the accounts showed that the three Service museums had net assets of £332M.

1.30. It should be noted that the 2014-15 audited accounts of the NMRN showed a negative position for company's free reserves. This arose because the museum took out a commercial loan to fund staff redundancies of around £507,000 resulting from their restructuring programme, creating a liability against which associated savings (anticipated to be £600k) will not be realised until 2015-16. The National Audit Office (NAO) were content to sign-off the accounts but would not expect the position to continue beyond 2015-16 as savings arising from rationalisation begin to materialise.

1.31. The appointment of each of the Chief Executives (CE) is approved by MOD ministers. The CE also generally acts as the Accounting Officer (AO) for the museums and the responsibilities of an AO for the management of public funds is laid out in HM Treasury's guidance 'Managing Public Money' (MPM). The AO is accountable to the Permanent Secretary of the MOD in delivery of these duties. More generally, the CE is accountable to a Board of Trustees (or in the case of the NAM, the Council) who are appointed through open and transparent process of appointment. Senior MOD stakeholders are invited to attend key Board meetings.

Grant in Aid

1.32. The MOD provides an annual grant in aid to each of the museums. This has totalled £78M over the last four years (payments to each Service museum are shown at Annex C). The purpose of the grant in aid is to provide general support to the museums to contribute to the running costs e.g. staff costs. In addition, from time to time other ad hoc funding is given either through capital grants or other support such as surplus military equipment.

1.33. In line with MPM, grant in aid funding is paid on evidence of need and in instalments throughout the year to match the recipient's expenditure patterns. This is to ensure that funding is required, and does not create large cash balances in the accounts of the museums. That is not to say the museums as charities and companies operating as a 'going concern' should not maintain cash balances of at least one to three months operating costs as would be deemed commercial best practice. But it is important that there is sufficient understanding between the Service museums and their Sponsor organisations of the purpose of the grant in aid in the context of the overall finances of both the museums and the MOD.

Framework Documents

1.34. The terms and conditions for use of the grant in aid as well as broader considerations of the relationship between the MOD and the museums are set out in Framework Documents agreed between the TLB Sponsor and the museum. This document should record the MOD's expectations in terms of strategy, performance and delivery and should make clear the role of the museums and that of the Sponsor organisation. The existing set of Framework Documents for the Service museums require updating in line with the templates set out in MPM and to reflect recommendations arising from this review.

Other Grant Funding

1.35. The HLF has been a significant grant provider to the museums over the last few years. The current, capital projects at the museums have all been significantly funded by the HLF. The museums have also benefitted from one-off funding from HM Treasury's disbursal of the Libor banking fines.

MOD Sponsor Organisations

1.36. The three Service museums are funded and sponsored by the MOD's three Single Service, Top Level Budget (TLB) organisations representing the Royal Navy, the Army and the Royal Air Force. Representatives from these organisations are responsible for making payment of the grant in aid and for general governance oversight of the museums, as well as higher level representation as key stakeholders at the Service museums' Boards.

1.37. Within the MOD, each of the Services has a heritage committee chaired by the senior military representative empowered to set heritage policy for the Department. These committees are attended by the CE of the museums and seek to provide the departmental view of heritage priorities and to assist the museums as necessary in delivery of their strategic aims.

Chapter 2: Functions and form of the museums

Framework for functions

2.1. The Service museums are all registered charities whose charitable objectives and activities are set out in a Deed of Trust; or in the case of the NAM a Royal Charter. As registered charities the museums are subject to the provisions of the Charities Act and regulated by the Charity Commission.

2.2. In addition to their charitable status, both the NMRN and the NAM are incorporated bodies (the NMRN is a company limited by guarantee and the NAM is incorporated by virtue of its Royal Charter). Incorporation gives legal identity to the organisation and separates this from the individual identity of the Trustees, thus limiting their personal liability.

2.3. To be a charity an organisation must have exclusively charitable purposes (i.e. a charity cannot have some purposes which are charitable and others which are not). The Charities Act lists thirteen charitable 'heads' under which a charity can operate, including 'the advancement of the arts, culture, heritage or science'. The purpose of the charity must also be demonstrated as being 'for the public benefit': there must be an identifiable benefit or benefits and this benefit(s) must be to the public, or section of the public.

2.4. Charitable status gives the museums several benefits most notably tax breaks and access to certain grant funding. Regulation by the Charity Commission also provides additional transparency, increasing the taxpayers' ability to scrutinise the governance of the museums and receive a sense of trust about their operations.

2.5. Charitable status limits the extent of trading activity to that which directly supports the charitable aims. Most generally a subsidiary company is established to manage trading accounts e.g. museum shops.

2.6. The objects and activities of each of the Service museums, as set out in their registered documents are provided at Annex C [if required].

Management of the Museums

2.7. The Service museums are each governed by a Board of Trustees (or in the case of the NAM, the Council). As the museums are also classified as NDPBs, they are ultimately accountable through Ministers to Parliament and to the public.

MOD policy and priorities

2.8. The MOD sets out its aims and objectives in its Departmental Plan (DP), each main business area of the MOD (known as Top Level Budgets (TLB)) also has a 'Command Plan' which is updated annually in line with the DP. The Navy, Army and RAF as TLBs, each have a Command Plan which sets out the role and organisational aims of their Service. The objectives supported by the museums are part of the suite of objectives linked to the 'People'

aspects of managing the three Services which include recruitment and other objectives around retention and morale. There is a strong argument that the 'Moral Component' of the Armed Forces (i.e. the unique leadership, honour and unity of the Armed Forces that enables them to operate, or fight, effectively and ethically) is reinforced by a deep sense of unity and belonging which is based on the heritage story and this in turn provides the basis of the outreach to the wider population. Equally, there is a case to be made for retaining certain military assets for the Nation in support of broader cultural objectives.

2.9. Exactly how the Service museums contribute to these objectives can be set out in more detailed MOD heritage policy documents and in the business plans and strategies of the Service museums. However, the review team felt that there needed to be a much clearer articulation of how the Service museums support MOD objectives and this should be set out in Command Plans and in the Framework Documents, with explicit agreement between MOD and the Service museums about what is expected and how this will be measured. Recommendations around objective setting are covered in more detail at Chapter 3 of this report.

Should the functions continue?

2.10. Stakeholders were generally very positive about delivery of the Service museums' main functions whilst accepting the need for more clarity on roles, objectives and performance levels. There is a mutual dependency between MOD and its museums and although they operate at 'arm's length' from the Department the length of the arm is relatively short compared to other arm's length bodies (who may need to act more independently from the core MOD) and the relationship between MOD and its museums is quite different (and much closer) to that of the DCMS and the various national museums they sponsor.

2.11. It is interesting that although the Chief Executives of the three museums share an understanding with the MOD and each other of the functions they are delivering and the need for mutual support, they each have a slightly different view of their position with the Department:

- The NMRN consider that they should operate with more independence from the core department and have suggested that 'Public Corporation' status may be more relevant to them than NDPB – as discussed in the next section of this chapter.
- The NAM emphasise their independence from the core department and consider themselves a 'critical friend' with the obligation to tell the Army's story from many perspectives.
- The RAFM sees itself working 'hand in glove' with the RAF and appears to have the strongest relationship with its MOD sponsor, whilst being clear about the importance of independence in terms of content and interpretation.

2.12. Overall, the review concluded that the functions of the Service museums remain relevant and valuable. They contribute to MOD objectives and successfully deliver the

heritage story of the Armed Forces whilst building and maintaining links with the general public. The review recommends that further work should be undertaken to articulate and improve measurement of the links to MOD objectives and the benefits received.

Should individual functions be carried out differently?

2.13. A body should only exist at arm's length from government if it meets one of three tests:

Test 1: it performs a technical function which needs external expertise to be delivered – for example a function that could not be delivered in a department by civil servants, and where it would not be appropriate to recruit staff with the necessary skills to the department to undertake the function;

Test 2: its activities need to be, and be seen to be, delivered with absolute political impartiality – for example where political involvement, or perceived involvement, could adversely affect commercial considerations, growth, or the financial markets, or could lead to criticism of partiality;

Test3: it needs to act independently of Ministers to establish facts and/or figures with integrity – for example in the compilation of National Statistics.

The majority of stakeholders and the review team concluded that the work of the Service museums passes the first test.

Alternative Delivery Models

2.14. Cabinet Office review guidance sets out a checklist of delivery options that departments should consider when reviewing the functions of an NDPB. These options are:

- a. Abolish
- b. Move out of central government
- c. Commercial models
- d. Bring in-house
- e. Merge with another body
- f. Less formal structure
- g. Delivery via a new Executive Agency
- h. Continued delivery by an NDPB
- i. The following paragraphs consider these options for the Service museums.

Abolish

2.15. Without exception, senior military stakeholders in each of the three Services see a continuing need for the Service museums to promote and support military (and national) culture and heritage. The museums are successful in their own right, with high and increasing visitor numbers (compared to other UK visitor attractions) which place them in the top 100 UK visitor attractions² with positive feedback from the general public. This option has not been considered further.

Move out of central government

2.16. Current funding models for the Service museums make them reliant on public funding to operate. This is largely because of the cost of maintaining large collections of historical artefacts including larger heritage assets (for example, HMS Victory) and adherence, where feasible, to the government's policy not to charge for entry to national museums. This review looks at how this reliance on central government funding can be reduced through cost reduction and income maximisation but these are longer-long term objectives. The majority of the UK's large national museums are sponsored by central government.

2.17. The Service museums are registered charities and the NMRN and the NAM are incorporated. The cost of establishing them as independent charitable trusts without public body status would probably require endowment funding from government to set them up on a sound footing for the longer-term. From a purely financial perspective the level of funding required to do this is considered unrealistic in the current financial climate and this option has not been considered further in this review. Scope for partnering with local government may be looked at further by DCMS.

Commercial Models

2.18. There are no private sector organisations that could fulfil the function currently delivered by the Service museums; instead the review makes recommendations about how the Service museums could increase their non-MOD income and increase commercial and marketing activity whilst operating as a public sector body.

2.19. The review team looked at the model for Public Corporations (as suggested by the CE of the NMRN). The benefits of PC status are associated with increased operating independence from the core department but the organisation would still be a public body and still require strategic alignment with government priorities. This option has not been considered further as none of the Service museums meet the criteria for a public corporation to cover 50% of their operating costs from selling goods and services. The case for the NMRN to change status will be informed by any decision to change its admissions policy and it is suggested that this option is considered again after the wider DCMS review of museums has reported.

Bring in-house

² As listed by the Association of Leading Visitor Attractions (ALVA)

2.20. The MOD does not have the technical expertise to run museums of the size and complexity of the Service museums and has no desire to do so, maintaining instead its focus on the core departmental objectives and priorities. This option has been discounted.

Merge with another body

2.21. Each of the Service museums provides a single, unique perspective of the heritage of the Service they represent and this is their main objective. Merger of the Service museums may deliver some financial savings but given their unique links with their parent Service and the advantages offered by having a presence across the UK, there is no obvious delivery advantage to be gained in merging the locations or management of the three individual Service museums. Looking more broadly, there are no other museums that share the same objectives to act as National Museums and it is the intent of the MOD that the Service museums retain the right for public funding ahead of other smaller military museums. However, some of the benefits of merger could be explored by the Service museums (e.g. shared support functions) and the review makes a recommendation that this is taken forward.

2.22. Stakeholders at DCMS, the Service museums and the MOD were consulted on the benefits for moving the sponsorship role for the Service museums to DCMS but the benefits of any transfer were not obvious. MOD stakeholders would prefer to retain the sponsorship role to maintain the close link between the role of the Service museums and the role of the core department. DCMS is a small government department of less than 500 staff managing grant in aid payments of £390M a year (2014-15) to major national museums (British Museum, Imperial War Museum etc.) and other organisations. DCMS also has oversight of the Arts Council and Heritage Lottery Fund (HLF) – both NDPBs of DCMS. The review team accept this position but it could be beneficial to build on existing closer working between DCMS National Museums and the Service museums and between DCMS museums sponsors and Service museum sponsors. Increased central oversight of the Service museums could be carried out in MOD or by DCMS and this is discussed further in Chapter 3.

Less formal structure

2.23. The nature and size of the function of the museums do not lend themselves to informal structures e.g. internal committees or informal stakeholder groups.

Delivery via a new Executive Agency

2.24. There is no advantage in creating an Executive Agency within the MOD. The Service museums exist as charitable trusts and in some cases incorporated bodies. This option is not considered further.

Continued delivery by an NDPB

2.25. All stakeholders felt that there needed to be a close link between the Service museums and the MOD, particularly on the strategic direction setting and as the custodian of

military and national heritage assets. It is recognised that the Chief Executives and the Boards were best placed and have the appropriate expertise to deliver the day to day functions of the individual Service museums. The review team has recommended this as the preferred option but sees advantages in increasing commercial activity and driving efficiency improvements in line with the work ongoing within the core MOD and across government. This review makes recommendations about how this could be achieved.

Conclusion

2.26. The review decided that none of the alternative delivery models considered would result in significantly greater benefits than the current NDPB status and many of the alternatives would remove or dilute the close strategic partnership of the MOD and its museums which is highly valued by all stakeholders. However some of the general benefits of the alternative delivery models considered could and should be adopted within the existing NDPB structure, including the Service museums and the MOD working more closely together; exploring how sharing certain back office services could deliver efficiencies and improve effectiveness, and improving and clarifying the role of the departmental sponsor organisation.

Recommendations

- The National Museum of the Royal Navy, the National Army Museum and the RAF Museums remain necessary and should continue to deliver a public service in support of agreed MOD objectives as NDPBs.
- The three Service museums should remain as NDPBs sponsored by the MOD (rather than DCMS) but links to best practice and advice from DCMS should be more directly pursued.

Chapter 3: Improving the effectiveness of the Service museums

3.1. Having made the case that the Service museums should continue to deliver their current functions as public bodies, classified as NDPB, this chapter looks at how the Service museums and MOD could operate more effectively together not just to achieve the required outcomes but also to manage risk (mainly reputational and financial) both to the Service museums and the MOD. Efficiency, including recommendations around sharing of best practice, is covered in Chapter 4.

3.2. Specifically, this chapter sets out recommendations in the following areas:

- Alignment of MOD and the Service museums' objectives and key performance indicators
- Strategic direction and the role of the MOD as Sponsor of the Service museums
- Updating and aligning Framework Documents
- Funding of the museums and management of financial risk

Alignment of MOD and the Service museums objectives and key performance indicators

3.3. The case for maintaining the Service museums as NDPBs was based in part on the desire and need of the MOD senior military stakeholders to have the heritage objectives of the MOD delivered, in the main, through the functions of the Service museums. These objectives are part of the suite of broad objectives linked to the 'People' aspects of managing the three Services and can be described in more detail in the individual heritage strategies of the single Services.

3.4. The review team understood how the museums and the MOD came together to reach an understanding of what the museums should be doing but struggled to find written evidence that set out exactly how and what the museums do to support MOD objectives and how their performance in achieving these objectives is measured. The museums are not specifically mentioned in the Sponsor TLBs' Command Plan and it is difficult to assess the relative priority of the objectives they contribute to or their role in delivery; important factors when assessing the level of MOD funding that should be made available to the Service museums rather than other core MOD objectives. The role of the Service museums in support of recruitment into the Armed Forces is generally understood to be an indirect outcome for some individuals who are inspired and informed by their visit to a Service museums; an implicit recruitment objective for the Service museums is not considered appropriate.

3.5. Over the last few years the Service museums have, in addition to running highly regarded museums, recognised the need to become more business-like, not least, to improve their ability to obtain capital grant funding (which requires detailed plans of the purpose and longer-term sustainability of proposed projects) but also to increase organisational efficiency and reduce waste and to improve marketing opportunities. The leadership and experience of the current Chief Executives, supported by professional management teams gives confidence that the museums are operating effectively and with sound longer-term objectives. Detailed business plans setting out a range of performance measures have been documented and are used by the Service museums' Boards/Council to manage. The review team felt that the MOD should also agree a small number of key performance targets with the Service museums to measure the effectiveness of the grant in aid funding but also to measure whether agreed strategic objectives are being met and whether the relationships between Sponsor and museum are working effectively. The expectation would be that these would complement the museums' own business planning processes and that annual reviews would be linked to the MOD's annual internal resource planning timeframe.

3.6. As mentioned at the start of this review paper, the Army's network of Regimental museums are outside the general scope of this review because they are not classified as NDPBs. However, the review team felt that it would not make sense to completely ignore their existence and the fact that they also receive funding from the MOD. A recommendation that their objectives and purpose should be more transparent to underpin the receipt of public funds has been included here.

Recommendations

- MOD TLB Command Plans should describe how the Service museums contribute to MOD objectives and agree this with the Service museums.
- MOD and the Service museums should agree and record a small number of Key Performance Indicators (KPIs) to measure key aspects of financial and non-financial performance in line with agreed objectives and funding arrangements. This may also include input from DCMS on broader expectations for the museums sector.

Strategic direction and the role of the MOD as Sponsor of the Service museums

3.7. The review team have identified the need for:

- MOD senior sponsors to engage consistently with the museums: attending senior Board meetings, setting out the strategic interests of the MOD and championing the museums inside and outside the department.
- Service museums to better understand the role of the MOD as Sponsor and MOD's involvement in agreeing the strategic decision-making of the museums and managing risk. This is consistent with MOD understanding and managing its relationships with all of its arm's length bodies.
- The role and purpose of the Army's Regimental museums should also be included in the Army TLB Command Plan to improve transparency over their objectives and purpose alongside those of the NAM.

3.8. To some extent the review team felt there was a slight mismatch between the desire of museums' stakeholders to get the appropriate level of interest in their business from the MOD matched against a desire not to have too much interference by the MOD in the general direction of the museum. This healthy tension between NDPBs and their Sponsor department who may take a different perspective on certain issues is not unexpected or wrong. In most cases any dispute is resolved by those involved but the review team felt some changes to the Framework Documents could be introduced to improve the understanding of the relationship between Sponsor and NDPB and the recommendations here focus on that aspect. These issues are perhaps most prominent in the relationship between the NMRN and the MOD but the recommendations of the review team at the end of this section are intended to improve arrangements at all three Service museums. This should include recognition that the Charity Commission and Companies' House have a regulatory role for the Service museums and additional oversight provided by the departmental sponsorship role should not add unnecessary addition burden on the museums. The DCMS-sponsored museums have different oversight arrangements because they are, in the main, 'exempt charities' and are regulated in terms of their compliance with Charity Law by DCMS.

3.9. The MOD Sponsor organisations are key stakeholders of the Service museums not only as the providers of grant in aid funding but also in determining how the museums

contribute to MOD, and wider government objectives and priorities. The three single Service sponsors have three main strands to this support:

- Senior representation at Board meetings and MOD single Service heritage committees
- MOD heritage teams day to day contacts (generally one key person for each Sponsor team)
- Finance team interface on grant in aid payments and governance.

3.10. None of these roles are, or need to be, full-time and the interface generally works well, if at times overly driven by the extent of the personal interest and prioritisation of the post holders. That said there was evidence that the relationships at the NAM were probably not as strong as they could be and despite senior Army officials being keen to maintain close links to the NAM the commitment to attend Council meetings has not always been evident. To a large extent, the Service museums are left to get on with running the business of the museums and this is what would be expected of an NDPB but certainly the NAM and NMRN stakeholders would welcome more consistent support and direction from their senior Sponsors and the MOD Heritage Policy Committees they Chair.

3.11. The review team also felt that given the Service museums are public bodies and given the earlier findings in this review about the need to align more obviously to MOD objectives to underpin existing funding arrangements, the Sponsors could do more to 'Champion' the museums across MOD (perhaps making more use of their corporate facilities or inviting speakers to staff events).

3.12. Whilst there is a strong desire from the Service museums and MOD for a mutually supportive relationship, the review team were made aware that there is an issue about the extent to which senior sponsors gets involved in influencing the strategic decision-making of the Service museums and in the extent of the Service museums accountability back to the MOD and Ministers. It can be difficult to work through how the obligations of being a public body play alongside this governance structure.

3.13. The term NDPB is applied to bodies which have a role in the processes of national government but are not part of a government department. They operate at arm's length from ministers, though ministers will be responsible for it to Parliament. It may be applicable where contracting out or other more commercial mechanisms for delivery are not appropriate and where the core department does not have the expertise or is not best placed to deliver the function. In this instance, the very particular role of the Service museums in support of the MOD objectives and indeed 'the MOD Brand' (albeit with their own level of independence) and the fact that they receive public funding makes them different to other military museums and gives them an obligation to their sponsor organisation (and vice versa) as well as an increased level of transparency and accountability to Parliament and the public. It is the review team's opinion that this obligation should be fully described in the Framework Document and the Boards should ensure appropriate arrangements are set in place to ensure their obligations as a public body are met. It seems unnecessary to continue

the debate about whether MOD senior representation at Board meetings undermines the role of the Board when there is such a clear role.

The Public Administration Select Committee (PASC)³ looked at the relationships between government and ALBs and their report provides useful guidelines about how the sponsor role should operate whilst acknowledging this will need to be tailored to align to the relative importance of the ALB in the delivery of the Departmental objectives. In concluding that there must be a strong sponsorship role by the core department they acknowledged that this should be a partnership role with mutual interest, high trust and shared understanding of what is to be achieved. The extent of this partnership will depend on the relative importance the ALB has in supporting a department's objectives and the PASC recommends a risk-based approach, where bodies that demonstrate efficient use of public money have greater autonomy. The NAO and PAC recently examined how four Departments oversee their ALBs, and the PAC will be publishing a report in due course.

3.14. The Review team felt that it should be accepted that issues of discord were likely to arise in the margins. The potential for conflict between a museum's founding legislation and direction by the MOD was considered to be small and when such instances arose specific legal advice should be obtained. Conflicts between MPM and other regulations would similarly be managed on a case by case basis. If in the highly unlikely event that the MOD Sponsor wanted to intervene to stop the Board/Council taking a particular course of action, there needs to be an agreed escalation route to Ministers and recognition that this would run contrary the general and legal obligations of the Service museums' Boards.

Recommendations

- The MOD sponsor organisations should consistently provide senior stakeholder representation when invited to the Service museums Board/Council meetings.
- The MOD Sponsor organisations should do more to Champion the Service museums inside MOD and more generally.
- Framework Documents should be amended in line with MPM and to include: the roles and responsibilities of the Sponsor alongside those of the Board/Council; the obligations of NDPB in relation to the principles of good corporate governance and a dispute mechanism, if appropriate.

Funding of the museums and management of risk

3.15. The MOD currently funds the Service museums through a payment of an annual grant in aid. The Service museums are generally given an indication of the likely grant in aid funding for the medium-term to allow for planning (and this is considered sensible best practice). The grant in aid is provided as a contribution towards the operational running costs of the museums and a contribution to purchase of artefacts and other statutory costs

³ <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpublicadm/110/11002.htm>

associated with maintaining the business. Other funding (including capital funding) or support may be provided if supported and approved following submission of a business case by the Service museum to its TLB Sponsor.

3.16. The Service museums rely on the MOD grant in aid funding. They have all successfully bid for capital grant funding from the HLF and other sources of funding to meet running costs are fairly limited. The NMRN by exception has increased levels of income from admission charges. The review team noted that in the current economic climate public funding of cultural attractions (and museums in particular) was an issue; many local authority museums have closed as budget pressures force reprioritisation. The review team have not considered the extent of public funding which is appropriate to support the government's wider cultural and social inclusion policies but observes that the Service Museums like all other public bodies should be seeking to increase non-public funding as much as possible (alongside reducing costs more generally).

3.17. HM Treasury have announced that the Service museums will be entitled to operate with a number of additional 'freedoms' which may include help to reduce borrowing costs, increase marketing operations and increased flexibility on pay settlements. Final details are expected to be issued shortly and will include options to allow the Service museums to obtain loans from government.

3.18. The Review team felt more could be done to consider how the Service museums attract other non-public funding (e.g. increased sponsorship), individually, with each other and in partnership with DCMS. The CEs of both the NAM and RAFM agreed that there was scope to increase the proportion of non-public funding and that targets in this area could be useful.

3.19. Perhaps not overtly but in reality, the MOD has already taken a risk-based approach to managing the Service museums and has considered them to be low risk (i.e. having a good track record of delivery and governance and relatively low funding from the core department with low impact on delivery of core departmental objectives). However, this assumption has not been tested systemically or the risk managed effectively. The review team felt that a more robust approach to managing the relationships and risks at the Service museums could be achieved through establishing a central (MOD Head Office) point with the ease and expertise of dealing with all NDPBs and other ALBs to readily carry out benchmarking, look for best practise and to carry out periodic financial risk assessments.

3.20. During the course of the review the review team received comment about the extent of the financial risk being taken on by the core MOD department on behalf of the Service Museums and whether this was understood by the MOD. Examples of concerns around whether sufficient due diligence and longer term planning is carried out on new purchases and issues around whether the risk associated with larger capital projects are sufficiently understood by the MOD.

3.21. The MOD Head Office also have teams responsible for policy on governance and working with NDPBs, although there is no single point with the authority or remit to look across all such bodies (and other forms of Arm's Length Bodies) and there is no MOD strategic view of whether the relationships with these bodies is working effectively; the extent

to which financial and other significant risk is being managed to avoid impact on the MOD, and benchmarking the performance of similar types of ALBs. Arrangements to support the oversight of ALBs is changing and the review team felt there would be real benefits to the MOD in providing more proactive (though proportionate) oversight of aspects of the Service museums performance and purpose and have made a recommendation that this is considered further.

Recommendations

- The Service sponsors should agree targets with the Service museums to increase non-public funding over the medium term and to review how public funding can be reduced.
- MOD should more formally check that major capital investment proposals (threshold to be agreed) are appraised and managed in line with the MPM and longer term support costs adequately assessed. These considerations should link to the strategic objectives of the Service museums about intended size and scope.
- MOD should consider creating a central NDPB/ALB expert role to provide oversight across the Service museums (and other ALBs) to allow for consistency of approach, management of financial risk across the entities, and to be the focus for interactions with the Cabinet Office, DCMS, Charities Commission and other leads.
- MOD should carry out a benchmarking and review of the Service museums' financial plans. This would be with the intention of assessing the baseline financial position.

Updating and aligning Framework Documents

Recommendations

- The Review team felt that as far as possible the three Service museums' Framework Documents should cover the same headings and use the template set out in MPM.
- The Framework Documents should refer to arrangements to interface with Service museums generally not just use of the grant in aid.
- MOD should carry out a consistency check across the individual Service Museums' Framework Documents and ensure recommendations from this review are incorporated.
- Revised Framework Documents should be agreed by the central MOD policy authority and the museum Boards.

Chapter 4: Improving the efficiency of the museums

Targets

4.1. The Cabinet Office guidance on efficiencies for NDPBs includes a number of headings and suggested measures. This chapter includes detail on each of the headings although in a number of cases the specific supporting measures are not directly relevant. For instance, in terms of property costs there are measures designed to calculate the number of Full Time Equivalent staff for each 10 square metres of property space. The Museums however devote much of their property space to the display of artefacts and exhibitions and therefore any comparison with other government departments is not relevant. Similarly any savings under the Government Construction Strategy are not directly relevant as the major construction projects being undertaken by all three service museums are receiving significant non-central government funding to progress them.

4.2. There are also no specific requirements or targets imposed on any of the Service museums to make efficiencies by either the MOD or the respective Commands. However there is evidence across all three Service museums that efficiencies have, and continue to be, made, to either help to balance the books and/or to reinvest in other areas such as new technology.

4.3. The Service museums have recently met as a group to identify areas of common spend that may benefit from a collaborative approach. This has identified eight key areas of expenditure and these will be addressed as and when contracts come to an end. The NMRN has also been on its own journey of consolidating and rationalising the expenditure across its four separate Naval Service museums.

Recommendation

The MOD should agree efficiency targets with the Service museums. These targets need not necessarily relate to just agreeing efficiencies but could instead be linked to return on investment (e.g. achieving more visitor numbers per £100 of grant in aid spend). The Service museums should engage with the Cabinet Office to ensure opportunities to generate efficiencies are maximised.

Workforce

4.4. The table below summarises the numbers and costs of staff employed across the three museums.

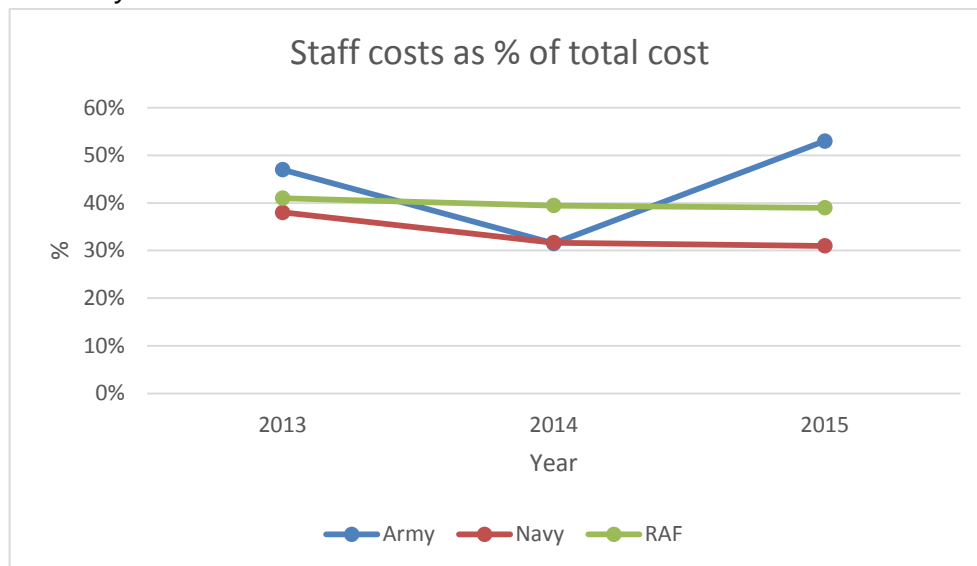
Museum	No. of Staff Employed*	Total Cost (2014/15)*	Average Cost
RAFM	221	£6,026,688	£27,270
NAM	66	£3,162,020	£47,909
NMRN	182	£5,627,452	£30,920
TOTAL	469	£14,816,160	£31,591

All figures are taken from the 2014/15 Annual Accounts.

4.5. All Service museums have made significant savings to their workforce expenditure within the last 12 months:

- The RAFM has reported savings of £300k p.a. through a round of redundancies on its total staff costs of approximately £6m. It employs 181 staff plus a further 40 in its trading company;
- The NAM employs 66 staff and has restructured following its closure in 2014 for a major redevelopment. Contractors have been released, fixed contracts not renewed on expiry and two members of staff have been made redundant. The net annual savings from the workforce reductions on a total staff spend of £3.2m amounts to £400k p.a. in 2014/15 compared to the prior year; and
- The NMRN has reported savings of £650k p.a. on its total staff costs of £5.6m through restructuring workforce from a geographical to functional structure. This has included reducing the number of Executive Director Posts from five to three.

The graph below shows the trend in staff costs as a percentage of the total costs over the three financial years to March 2015.



4.6. The NAM has the fewest number of staff, and the highest average cost per employee. It also has the highest proportion of staff costs to total costs. This is due in part to the following:

- The NAM is currently closed although museum staff have been largely transferred to outreach activity where possible. The staff that are not needed during the closure period are those customer-facing staff such as retail and catering who are generally on lower average salaries;
- It has a higher proportion of staff on MOD equivalent terms which includes significant pension contributions;
- It has outsourced its cleaning and security staff, and on re-opening will bring the Front-of-House staff back in house;
- It is located on one site so is likely to need less staff than the RAFM and the NMRN who are based across multiple locations; and
- It is based in Central London where average salaries are significantly higher than those elsewhere.

4.7. However, notwithstanding this the average cost per employee still seems very high in comparison to the other two Museums. The RAFM has the highest number of staff but does have two geographically split locations that are designed to be a full Museum experience in their own right (i.e. visiting either one of the RAFM sites provides you with the complete experience of the RAF, albeit that each site has a different focus in certain areas).

Recommendation

- The Service museums should regularly review, benchmark and compare their staffing structures to ensure that they have the right number of staff employed in the right areas and that the costs of these staff are appropriate.

Digital and Technology

4.8. The current levels of spend for each Museum are:

Museum	Current Spend	Comment
RAFM	£95k	Will increase over 2016/17
NAM	£26k	Significant additional costs in current project
NMRN	£36k	Further £264k on IT and Telephony

The above figures are based on 2015/16 forecast outturn and exclude capital projects and direct trading activity

4.9. For the Service Museums, focus on digital and technology relates more to improving the visitor and staff experience than making efficiencies, although a better visitor experience should see a higher level of associated spend in the shops and cafes, which helps to reduce the reliance on grant in aid funding. Increasing non-MOD income is seen as a sensible step to ensure long term sustainability of the Service museums.

4.10. The Government’s Digital by Default Strategy states that where possible public services should be delivered on-line or by other digital means. Obviously the main service provided by the Museums are the provision of a visitor experience that attracts the public to its main sites, and/or through undertaking outreach activity to members of the public who may live some distance from the respective museums. However, the websites of each of the Museums are continually being developed to enhance and compliment the actual visitor experience. Virtual tours are available on-line and there is information on booking group tours and school visits. Purchase of souvenirs can be made through the websites and those wishing to undertake research are able to access reading rooms and large archives of information on-line. The collections within each museum are accessible on-line.

4.11. The NAM’s Business Plan includes proposals for the digital collation of materials for public access, and the website is due to be re-designed and re-launched to coincide with the re-opening of the Museum in 2017.

4.12. The NMRN does not have a digital strategy but is looking at options for improving its website and further digitising its collections. It has also recently implemented a new finance system to provide a common platform over all of the Museums within the NMRN Group. There is an objective within the NMRN Corporate Plan to develop its on-line presence to exploit revenue streams and improve the accessibility of its collections.

4.13. The RAFM have appointed a Head of Digital and documented a Digital Strategy. They have also approached the other Service museums with a view to sharing this resource and approach. They had considered setting up a joint working group to assess and respond to the challenges arising from the need to ensure that all procurement activity is undertaken electronically from 2016/17. This didn't happen but information and good practice relating to this requirement has been shared between the Service museums since.

Commercial Models and Relationships

4.14. Each of the Service museums has established a trading arm to cover its commercial operations. The NAM has additionally outsourced payroll, cleaning, security and picture imaging services, while the NMRN has outsourced payroll and accounting services. All Service museums have an outsourced internal audit function.

4.15. One of the outcomes of a meeting of all three Service museums in November 2015 was to review the potential for combining the payroll service for all non-MOD staff (total combined cost £34k p.a.), and to further establish whether accounting and audit services (total internal audit costs £65k p.a.) could be linked. These will be investigated further as and when relevant contracts are nearing their expiry dates.

4.16. The RAFM has a Commercial Strategy that is focused on exploiting assets and encouraging innovation. The Strategy includes a 15% increase in on-line sales and the introduction of pop-up retail and coffee shops. It is also considering a John Lewis type bonus scheme for staff employed by its trading arm. Part of the strategy involves engaging more effectively with the local community which is the subject of a major house building scheme.

4.17. Opening the restaurant and car parking facilities to residents at times when the RAFM is quiet or even closed is being considered as an income generation scheme. The RAFM is also seeking to strengthen its relationships with Air Forces and Museums in the US and Middle East which may then lead to the ability to sell consultancy services to help those countries develop their own Museum offering.

4.18. The NAM's Commercial Strategy is contained within its business plan and is centred on achieving a 30% increase in visitor numbers and a 150% increase in commercial income when it re-opens compared to pre-closure. These increases are forecast on the basis of significant investment in marketing resource to promote the attractions and experiences that the new building will offer.

4.19. The NMRN Trading Company is being restructured to support more flexible working across the teams and to support delivery of increased revenue at reduced cost. The corporate plan includes the action to develop new business plans for commercial services in retail, catering and corporate for new developments and also to expand the scope of the commercial and retail operations. The NMRN also absorbed the previously separately constituted Portsmouth Historic Dockyard into its structure making reported savings of £450k p.a. across all parties.

Recommendation

The Service museums should share ideas and best practice on how to optimise their commercial strategy to provide both the best possible visitor experience and return on the use of their assets. The Cabinet Office (Commercial Models Team) should be consulted for expert advice in this area.

Construction and Property

4.20. All of the Service museums have either on-going major capital site refurbishments or plans to rationalise their current estate:

- The RAFM has two main sites, at Hendon and Cosford, with a further site in Stafford for storing surplus items. The RAFM owns the freehold of the Hendon property but rents the other two properties from MOD through Defence Infrastructure Organisation (DIO). The Hendon site is currently undergoing a major refurbishment and re-development in preparation for the centenary celebrations of the RAF in 2018. The new build and re-design of the Hendon estate should provide efficiencies in energy and maintenance costs. Once the Hendon site has been redeveloped, the RAFM will turn its attention to funding the development of the Cosford site. This will include the development of a new facility to replace the current storage facility in Stafford, thereby releasing savings of £180k p.a. This is unlikely to occur until at least 2020 although the DIO are already aware of the RAFM's intention to give notice on this facility.
- The NAM has one main location in Chelsea, with storage facilities in Stevenage. The Chelsea site is rented from the Royal Hospital at a peppercorn rent of one guinea p.a. and the Stevenage facility is the subject of a 25 year private rented lease. The Chelsea site is currently undergoing a £23m development and is closed, with a planned re-opening in spring 2017. The new building will offer efficiencies in terms of energy and maintenance costs.
- The NMRN is aiming to have a national presence across the country and has entered into arrangements with the Northern Ireland Government) and local councils (e.g. Hartlepool) to run attractions in those areas. The main footprint for the NMRN is in the Portsmouth area. The NMRN are planning to move the Royal Marines Museum onto the Naval Dockyard site and would eventually sell the current building. DIO own approximately two thirds of the site with the NMRN owning the other third.

Recommendation

- The Service museums should consider how they can jointly make better use of their estate – for example sharing storage facility space on either a short-term or long-term basis.

Procurement and Shared Services

4.21. The Service museums have met to begin to consider how they can collaborate on items of major spend to make savings. The following areas have been considered to date:

Area of Spend	RAFM	NAM	NMRN

Payroll Services	£11k	£5k	£18k
Accounts and Audit – NAO	£21k	£19k	£104k
Accounts and Audit - IA	£16k	£24k	£25k
Energy	£462k	£30k	£200k
Digital	£95k	£26k	£36k
Insurance	£110k	£78k	£144k
Legal Services	£20k	£27k	£295k
Health and Safety	£20k	£10k	£44k
Human Resources	£10k	£141k	£93k

4.22. The above figures are based on forecast outturn for 2015/16 and exclude any costs associated with capital projects and direct trading activity. Other notes are as follows:

RAFM

- The energy costs relate to the two main sites at Hendon and Cosford, and the storage facility at Stafford.
- The Human Resource costs exclude the salaries of three staff employed to undertake this function.

NAM

- The fee for internal audit also includes account preparation work.
- The NAM is not currently paying any utility costs for the Chelsea site as this is covered under the contractor costs for the re-build.
- HR costs include during and post project recruitment (£60k), staff training (£42k), volunteer training (£23k) and specialist training (£11k).

NMRN

- In addition to the direct Digital costs the NMRN spends a further £264k on IT related services made up of Management and Support (£124k), Licences (£42k), Consumables (£66k) and Telephony (£32k).
- The HR costs comprise management and support (£66k) and recruitment (£27k).
- As part of the rationalisation of its approach across the NMRN Group, the NMRN has already reviewed a number of its major areas of expenditure to have common contracts in place covering such areas as Stationery, Insurance and Accounting Services.

4.23. Review of the above identifies some significant differences in the profile of spend of the three Service museums but this may be explained by the different Museum structures and current operational issues. Nevertheless it will be useful to examine these further and the intention of the Service museums is to review each in more detail for potential savings as and when contracts are due for expiry. The one area that has been considered to date relates to the appointment of Insurance Brokers and work is currently on-going to investigate the potential for appointing a joint broker to oversee all three Service museums.

4.24. Analysis of expenditure through Crown Commercial Services, which helps the government and public sector to buy common goods and services, as at October 2015 identified the forecast full year spend (2015/16) for each of the Museums as:

NAM	£47,104
NMRN	£20,795
RAFM	£270,475

Given that the NAM is closed we would expect its non-pay expenditure to be lower. The above figures do however show that the NMRN is making much less use of Crown Commercial Services than the RAFM and there is therefore potential to channel more spend through this service.

Recommendation

- All Service Museums should use the Crown Commercial Services for purchase of common goods and services.

Fraud, Error and Debt

4.25 While all Museums have procedures in place to manage fraud, error and debt this is not a high risk area for any of the Service Museums and there is therefore little potential to improve efficiency through focus on these specific areas.

Major Projects

4.26. Although each of the Museums has major construction projects on-going at present these do not fall under the remit of the Major Projects Authority.

Chapter 5: Corporate Governance

5.1. On the basis of our review the three Service museums are considered to be well led, with executive management supported by effective Boards who bring a wide range of skills and experience. There is a need for the Boards to become more diverse but this is recognised and work is on-going to address this. The relationship with the respective Commands is governed by Framework Documents but these are generally out-of-date and lacking detail on the roles and responsibilities of each party. The operational links with the Commands are all deliberately “light touch” but the actual approach varies significantly across the three Service museums.

5.2. Detail on compliance against the Cabinet Office guidance on the expected governance arrangements is provided at Annex D for each of the Service museums. Key findings and recommendations are summarised below. There are a further number of compliance issues that are detailed in the checklist provided at the Annex which should also be addressed.

Accountability

5.3. Although each of the Service museums is formally recognised as an NDPB, they are also charities registered with the Charity Commission and also include limited companies to cover their commercial activities. This complicates the accountability arrangements but each has evidence to demonstrate its compliance with the principles of Managing Public Money. The Framework Documents with the respective Commands should translate the overall principles of Managing Public Money into specific and detailed limits of delegation but as already covered in this report, these documents are largely out of date and lacking in detail on the specific roles and responsibilities of each party.

5.4. All of the Service museums demonstrate compliance with the Data Protection Act but the NMRN is not listed as a Public Authority under Schedule 1 of the Freedom of Information Act, unlike the NAM and the RAFM. On the basis of this it also believes that it is not subject to the requirements of the Public Records Act of 1958 and 1967. We are advised that the reason for this was due to the four Naval Service Museums, which pre-date the NMRN, being created individually by Statutory Instrument in a way that meant that Ministerial authority was not required for the appointment of their Director General, Chair or Trustees. Changes would need to be made to the Deed of Trust and the constitution of the NMRN to ensure that it is covered by the Freedom of Information and Public Records Acts.

5.5. Each Service museum has a designated Accounting Officer who is accountable to their Board. The job description for each Chief Executive sets out their accountability to the Board for the ultimate performance of the museums and the implementation of Board Policies. Assurance that they have been effective in undertaking this role is given through the Annual Governance Statement and other declarations in the Annual Report and Accounts which are all subject to audit by the National Audit Office and which are laid before Parliament.

5.6. Each Service museum has a formally constituted Audit Committee, chaired by a Trustee, with formal Terms of Reference and regular meetings with set agendas and documented minutes

Recommendation

- The status of the NMRN in not being registered as a Public Authority under Schedule 1 of the Freedom of Information Act, and in also not being subject to the Public Records Acts of 1958 and 1967, seems incorrect and needs to be investigated and resolved.
- The Service museums compliance with the 'Museums' Freedoms Package' should be checked by the MOD sponsor organisations.

Roles and Responsibilities

5.7. Responsibility for oversight and scrutiny of the Service museums is delegated from the MOD to the respective Commands – the Royal Air Force, the Army and the Royal Navy. Although each of the Commands deliberately operates a “light touch” approach to the relationship, the actual means of engagement varies significantly between them:

- The RAFM engages frequently with Air Command. Museum Board meetings are attended by a senior Serving RAF Officer (AirDComCap), in a non-voting capacity. Quarterly Finance Committee meetings are attended by corporate governance staff from Air Command, and RAFM staffs attend the meetings of the RAF Heritage Steering Committee, which is chaired by the Air Marshal and which meets two to three times a year. The presence of a non-executive Defence Board member on the RAFM Board and as Chair of the Audit Committee also provides a direct link to the Department ;
- The NMRN issue an open invitation to Navy Command to attend Board meetings but this invitation has not been taken up for some time. Navy Command Corporate governance and/or Heritage staff do not attend Committee meetings but DIA representatives attend the Audit Committee. A quarterly review meeting is held by Navy Command and is attended by senior NMRN staff but this is seen as more of an update meeting than a means of holding the NMRN to account. There is an annual meeting of the Naval Heritage Strategic Board chaired by 2SL which is again attended by senior NMRN staff but this focuses on strategic direction rather than detailed operational and governance matters.
- Meetings of the NAM Council are attended by the Operational Heritage Lead for the Army, but the NAM Council and Leadership require input at a more senior level to be effective. The Council is chaired by a retired General and the Command considers that this provides a link to the Army, albeit not a formal one. The Army does hold meetings of the Heritage Committee and a separate Heritage Executive Committee which should both be held annually. The former was due to meet in April 2016 but the latter has not met for some time following the Army's restructure.

5.8. Each of the Service museum Boards is of an appropriate size and meets on a regular basis, normally quarterly. All meetings have appropriate and formal agendas and are minuted. The minutes of the NAM Council meetings and those of the RAFM Board are published on their websites but these had not been kept up to date at the time of our review. The NMRN does not publish Board minutes on its website. All three Boards have been working to ensure that they have a sufficient range of skills amongst their members and the

RAFM and the NMRN have undertaken board effectiveness reviews to support this. All however recognise that there is more to do in terms of achieving a truly diverse Board.

5.9. None of the Boards have formal terms of reference to set out their role and to clarify the matters which are specifically reserved for the collective decision of the Board. Without this it is difficult to ascertain whether the Boards have established appropriate arrangements to ensure that they have access to the necessary resource, information and advice, although interview of Board members, review of minutes, and observation of Board and Committee meetings identified no particular concerns in this area.

5.10. The RAFM and NMRN have qualified accountants in the post of Finance Director to support the Boards with appropriate advice on financial matters. Although the NAM's Head of Finance is a qualified accountant and attends Board and Committee meetings, there is no Finance Director equivalent, and indeed the Head of Finance is not listed on the NAM website as one of the 18 senior NAM staff. The role of presenting financial information to the Board and supporting Committees is instead undertaken by the Museum Director who is not a qualified accountant. Managing Public Money Annex 4.1 states that it is good practice for all public sector organisations to have a professional Finance Director with a seat on the Board and at a level equivalent to other Board Members.

5.11. All Service museums have a Remuneration Committee to make recommendations on executive pay and are supported by agreed terms of reference. Information on senior salaries is also published as part of the annual accounts and policies are in place to ensure that the rules for recruitment and management of staff provide for appointment and advancement on merit.

5.12. Each of the Boards is led by a Non-Executive in the role of Chair. There are differences between the Service museums in how the Chair is appointed but all follow the Code of Practice issued by the Commissioner of Public Appointments. None of the Chairs are remunerated for their roles but there is nothing documented for any of the Service museums to set out the Chair's specific duties, roles and responsibilities. Although discussion with each of the Chairs confirmed their significant involvement in the appointment of other Board members, this specific responsibility is again not documented.

5.13. Each of the Boards is made up exclusively of non-executive members. Non-Executive Board members are appointed in accordance with the Code of Practice issued by the Commissioner of Public Appointments. The recruitment documentation issued by the NAM sets out that "the NAM is a Royal Chartered Body and a Registered Charity independent of the State, regulated by the Charity Commission and **not** the Office of the Commissioner of Public Appointments (OCPA). Nevertheless the appointments process and nomination form is kept under continuous review to ensure that it responds to initiatives made by the OCPA."

5.14. Non-Executive Board members receive no remuneration for their role which has been documented for the RAFM and NAM but not the NMRN. Formal induction training for new Board members is provided across all Service museums. They are independent of management and where their roles have been documented this sets out an indication of the amount of time they need to allocate to the role. All the Service museums publish attendance at Board and Committee meetings as part of their annual report and accounts.

5.15. For 2014/15 the overall attendance rates were:

	RAFM	NAM	NMRM
Board	71%	77%	82%
Sub-Committee	67%	68%	92%

Recommendations

- The Service Museum Boards/Council should establish a Framework of Strategic Control and/or Scheme of Delegation to specify which matters are specifically reserved for the collective decision of the Board.
- The NAM should consider whether it has sufficient financial expertise at a senior level to provide appropriate support to the Board.

Effective Financial Framework

5.16. Each Service museum is audited by the NAO who attend each of the Audit Committees and who reported no exceptions for the 2014/15 financial year.

5.17. All have a documented Risk Policy or Strategy and a Risk Register that is completed in accordance with standard public sector practice. The Risk Register is reviewed by each of the Audit Committees on a quarterly basis with the exception of the NAM where it is done annually. There is however a separate risk register for the NAM relating to the Building for the Future project and this is reviewed at the specific project Committee and also at Council meetings.

5.18. Each of the Service museums has outsourced its Internal Audit arrangements:

- The RAFM receives internal audit services from Moore Stephens following a formal plan (57 days per annum) which is approved by the Audit Committee and which confirms compliance with Public Sector Internal Audit Standards (PSIAS);
- The NAM also receive internal audit services from Moore Stephens but their current plan is less than 15 days. There is no formal annual plan but the Audit Committee approve the terms of reference for each review;
- BDO provide internal audit services to the NMRN at a current level of 57 days per year. They also have a formal plan which confirms compliance with PSIAS. The plan is approved by the Audit Committee.

5.19. All Service museums however need to update or produce procedures that define and govern their financial transactions and operations. Documented delegated limits of authority are in place for different types of expenditure across all three Service museums but these are in need of updating to align with updated and revised financial procedures and the Scheme of Delegation or Strategic Control Framework recommended for the Board above.

5.20. Anti-Fraud and corruption measures are documented either in separate policy documents or as part of Staff handbooks and/or Code of Ethics. Similarly expenses policies are in place although the NMRN is in the process of revising all its policies in a prioritised

order over the next 18 months. Information is published in the accounts on expenses claimed by Board members which is minimal.

Recommendations

- Each Service museum needs to document and/or update its financial procedures to define and govern the required approach.

Communications

5.21. The RAFM and NAM have a Communications Policy although the NAM recognises that it will need to revisit its Policy in the light of the 'Building for the Future' project. The NMRN has no Communications Policy.

5.22. Both the RAFM and NAM make good use of their websites and social media to engage and consult with the public. Names and details of senior staff and board members are published as are minutes of Board meetings although as stated earlier these need to be kept up to date. The NMRN however publishes minimal corporate information on its website. All Service museums produce an annual review document containing performance data but none of the Museums hold open public meetings.

5.23. Public bodies should, in accordance with transparency best practice, publish their spend data over £500. We are advised that Museums generally have greater freedoms and the limit is £25k. The RAFM publish this data directly onto the Gov.uk website while the NAM disclose this information to the Army for them to publish. The NMRN do not publish this information.

5.24. The RAFM and NAM have Complaints Policies in place which are available through their websites. The NAM monitor their performance in responding to complaints at management meetings but the RAFM do not do this. The NMRN lacks a Complaints Policy but has a regular programme of obtaining customer feedback through visitor surveys and mystery shopper visits which are reported to its Operations and HR Committee.

5.25. Although considered as a low risk, there is also a requirement for the Service museums to have effective measures in place to prevent any perceived engagement in political lobbying. The NAM issue e-mail reminders to board members during election campaigns to remind them of this requirement and the RAFM have policies in place regarding external activities and conflicts of interest but without specific reference to political lobbying. The NMRN have nothing documented on this.

Conduct and Behaviour

5.26. All of the Service museums have either a Code of Conduct or Ethical or Values statements that cover the majority of the requirements of the Cabinet Office guidance in this area. However, it is not always clear whether these are directed at staff and board members or whether there should be separate guidance for the latter. The RAFM Code of Conduct states that it does not form part of the terms and conditions of staff while the NAM and NMRN documentation is silent on this matter.

5.27. All Service museums maintain a Register of Interests for their Board Members and while these are updated at least annually there are variations in policy concerning nil returns (i.e. whether members should sign to confirm that they have no interests). None of the Service museums has clear guidance on restrictions on political activity for board members and staff and there is nothing documented on acceptance of employment after resignation or retirement although this is considered a very low risk.

Recommendations

- All Service museums should review their Code of Conduct and/or Ethics and Value Statements to ensure that there is specific documentation covering both staff and board members that is compliant with the Cabinet Office Code.

Ministerial Accountability

5.28. The Service museums are considered low priority in terms of engagement from Ministers and while there may be ministerial presence at key events there is no programme of regular engagement between Ministers and Service museum leadership. There is variation in terms of ministerial involvement in the appointment of the Chair, Chief Executive and board members across the three Service museums. There is also a lack of clarity on when Ministers need to be consulted on Service museum business.

REVIEW OF THE SERVICE MUSEUMS – TERMS OF REFERENCE

Objective:

1. As Executive Non Departmental Public Bodies⁴ (ENDPB), the three Service Museums (National Museum of the Royal Navy (NMRN), National Army Museum (NAM) and Royal Air Force Museum (RAFM)) are required to be reviewed every five years. In accordance with Cabinet Office guidelines⁵, the review will have two principal aims, represented by two stages:

- To provide a robust challenge of the continuing need for individual ENDPBs – both their functions and their form; and
- Where it is agreed that a body should remain as an ENDPB, to review:
 - its capacity for delivering more effectively and efficiently, including identifying potential for efficiency savings and its ability to contribute to economic growth; and;
 - the control and governance arrangements in place to ensure that the public body and the sponsoring Department are complying with recognised principles of good corporate governance. This should also include an assessment of the body's performance.

Scope:

2. Within this context, the review will consider:

- Whether the functions are still required;
- Whether delivery of the functions continue to contribute to wider Government policy (including economic growth);
- Whether the three Service Museums governance structures effectively support the delivery of these functions or whether an alternative delivery model is more suitable (the review will consider a variety of different delivery models);
- Whether the governance structures and outputs are comparable and aligned to their equivalents who report to the Department of Culture, Media and Sport (DCMS);
- The three Service Museums dual position as independent Charities and MOD funded ENDPBs;
- Whether commercial opportunities are being maximised and what can be done to increase commercial functions in the future
- The 'counterfactual' – that is, the effects of not delivering the functions. Whether the three Service Museum's corporate governance and management arrangements are sufficiently robust and transparent, i.e. do they meet the best practice guidance;
- What the three Service Museum's admin costs are and how they compare against the benchmark(s) for other similar organisations in the UK and internationally; consider cost of running the estate; ICT; Corporate Services; HR and energy. What options are there for additional savings e.g. shared services with other ENDPBs. The review should also consider the proportion of spend that goes through centralised procurement arrangements to determine if the best use is made of central procurement;
- Whether the three Service Museum's services are digital by default as set out in the Government's Digital Strategy;
- How the three Service Museum's contribute to the transparency agenda and the Department's Open Data Strategy, assessing whether further steps could be taken;

⁴ Sometimes referred to as Arms Length Bodies (ALB)

⁵ Triennial Review: Guidance on Reviews of Non Departmental Public Bodies (Revised in 2014)

- The services that are subject to spending controls;
- The accountability, governance and sponsorship arrangements as appropriate following recommendations at Stage 1; and
- A review of the Sponsorship relationship, ensuring it is appropriate and fit for purpose.

Governance Arrangements

Ministerial Sign Off:

3. The Minister for Defence Personnel and Veterans (Min (DPV)) will have oversight of the review. Cabinet Office officials will comment on the report before Ministerial sign off and both Cabinet Office and Ministry of Defence Ministers will be asked to agree the report and recommendations before publication.

Review Team:

4. A review team has been set up that is independent of the three Service Museums. The Review Team consists of Deputy Head Financial Management Policy & Accounting (FMPA) (for stage one), Head of Defence Internal Audit (DIA) (for stage two; supported by DIA staffs) and MOD staff currently working in the three Service Museum sponsorship roles.

Challenge Group:

5. A Challenge Group has been established to work alongside the review team and to provide challenge to the methodology and conclusions of the review. The Challenge Group will meet at least three times throughout the course of the review: the planning stage; towards the end of stage one and towards the end of stage two. The Challenge Group will consist of Non-Executive Directors drawn from the three Service Front Line Commands.

Methodology:

6. The review will, during the course of the two stages, call for evidence; undertake workshops and interviews; review relevant documentation as appropriate.

Timing:

7. The stage one report is due in December 2015 and will indicate if stage two is required.

Stakeholders:

8. The review team will engage with a broad range of stakeholders and where appropriate, conduct individual interviews.

Significant deliverables:

9. Review outputs will include, but are not restricted to, the following:
- Written Ministerial Statement announcing the commencement of the review;
 - Terms of Reference;
 - Project plan and high level risk register;
 - Consultation questionnaire;
 - Secretary of State's letter to Cabinet Office Minister seeking his approval of the final report (before it is published); and
 - Publication of the final report.

List of Interviewees – Governance and Efficiency

Ministry of Defence	
Admiral Sir George Zambellas	Former First Sea Lord & Chief of the Naval Staff
Vice Admiral Jonathan Woodcock	Former Second Sea Lord
Colin Evans	Director of Resources, Navy TLB
Gen Nick Carter	Chief of the General Staff
Lt Gen James Bashall	Army Home Command
Brigadier Matthew Lowe	Army Heritage Lead
David Stephens	Director of resources, Army TLB
AVM Richard Knighton	Former Assistant Chief of the Air Staff
Air Marshal Sir Baz North	Air Command Heritage Lead
Charlie Pate	Director of Resources, RAF TLB
National Museum Royal Navy	
Admiral Sir Jonathan Band	Chair, NMRN
Professor Dominic Tweddle	Director General, NMRN
Sarah Dennis	Finance Director, NMRN
John Rawlinson	Director of Visitor Experience, NMRN
National Army Museum	
General Sir Richard Shirreff	Chair, NAM
Janice Murray	Director General, NAM
Mike O'Connor	Finance Director, NAM
Teresa Scott	Assistant Director Human Resources, NAM
RAF Museum	
ACM Sir Glenn Torpy	Chair, RAF Museum
Maggie Appleton	CEO RAF Museum
Philip Walsh	Finance Director, RAF Museum
Karen Whitting	Director of Public Programmes, RAF Museum
Sir Gerry Grimstone	RAFM Chair of Audit Committee and Board Member
Department for Culture Media and Sport	

Visitor Numbers					
	2011-12	2012-13	2013-14	2014-15	2015-16 (forecast)
NMRN	631,618	655,548	765,810	895,800	1,014,700
NAM	270,812	254,108	245,162	184,695	222,268
RAF Museum	535,051	536,612	563,120	724,525	738,500

Staff Numbers					
	2011-12	2012-13	2013-14	2014-15	2015-16 (forecast)
NMRN	124	172	196	216	331
NAM	59	63	54	63	59
RAF Museum	177	182	182	181	179

National Museum of the Royal Navy (NMRN)					
Summary Accounts Extract (net resources before accounting adjustments)*					
£M	2011-12	2012-13	2013-14	2014-15	2015-16 (Estimate)
Income					
<u>Grants, donations etc</u>					
Grant in Aid (revenue)	3.37	3.53	3.57	3.33	3.26
Grant in Aid (capital)	0.09	0.84	0.29	0.12	0.12
Other donations, grants and legacies	55.89	11.36	11.51	6.87	11.60
Admissions	2.33	2.70	4.13	4.90	4.93
Investment Income	0.02	0.12	0.72	0.61	0.60
Other*	24.80	0.20	0.19	0.15	0.14
Total Income Grants, Donations etc	86.49	18.76	20.40	15.99	20.65
<u>Trading Activity</u>					
Fundraising	0.06	0.17	0.16	0.19	0.08
Income from Trading Companies	1.11	1.39	1.59	1.92	2.33
Other*	-	-	-	-	-
Total Trading Activity	1.17	1.56	1.75	2.11	2.40
Total Income	87.67	20.32	22.15	18.09	23.05
Expenditure					
Fundraising	1.12	0.65	0.75	1.00	1.24
Costs of the	5.36	7.24	10.24	14.33	19.74

charitable organisation	0.55	0.97	0.91	0.74	0.70
Additional company costs (e.g. legal)	0.96	1.32	1.32	1.66	1.89
Expenses of the Trading Companies	0.01	0.04	0.22	0.24	-
Other*					
Total Expenditure	8.00	10.22	13.44	17.96	23.57
Net Income prior to accounting adjustments	79.67	10.10	8.71	0.13	(0.52)

National Army Museum (NAM)					
Summary Accounts Extract (net resources before accounting adjustments)*					
£M	2011-12	2012-13	2013-14	2014-15	2015-16
Income					
<u>Grants, donations etc</u>					
Grant in Aid (revenue)	5.60	6.28	6,023,131	5,739,523	5,925,000
Grant in Aid (capital) (Purchase Grant & Project)	0.10	0.12	117,000	5,126,000	626,000
Other donations, grants and legacies	0.21	0.084	508,381	1,239,983	1,000,000
Admissions	0	0	0	0	0
Investment Income	0.07	0.079	7,821	7,582	7,009
Other* (Incl HLF Grant)	0.10	0.176	197,097	1,488,683	2,260,780
Total Income Grants, Donations etc	6.08	6.66	6.85	13.60	9.82
<u>Trading Activity</u>					
Fundraising	26,715	143,901	84,894	46,968	617,077
Income from Trading Companies	397,710	511,037	559,579	79,067	87,150
Other*	0				
Total Trading Activity	424,425	654,938	644,473	126,035	704,227
Total Income	6,496,345	7,315,713	7,497,904	13,727,805	10,523,016

Expenditure					
Fundraising	25,269	44,756	354,125	307,733	251,958
Costs of the charitable organisation	5,310,579	5,190,177	4,518,723	4,482,104	4,407,491
Additional company costs (e.g. legal) (Incl Support Costs)	455,004	807,984	1,093,666	551,717	561,361
Expenses of the Trading Companies	254,941	408,200	497,243	151,887	74,770
Other* (Incl Depreciation and Impairment)	776,041	766,819	4,851,320	454,561	402,059
Total Expenditure	6,821,834	7,217,936	11,315,077	5,948,002	5,697,639
Net Income prior to accounting adjustments	-325,489	97,777	-3,817,173	7,779,803	4,825,377

RAF Museum					
Summary Accounts Extract (net resources before accounting adjustments)*					
£M	2011-12	2012-13	2013-14	2014-15	2015-16 (forecast)
Income					
<u>Grants, donations etc</u>					
Grant in Aid (revenue)	7.7	7.9	8.1	8.3	8.5
Grant in Aid (capital)	-	0.2	1.1	-	-
Other donations, grants and legacies ⁺	0.7	1.5	1.1	1.9	4.7 ^{\$}
Admissions	-	-	-	-	-
Investment Income	-	-	-	-	-
Other*	0.5	0.4	0.7	0.5	0.4
Total Income Grants, Donations etc	8.9	10.0	11.0	10.7	13.6
<u>Trading Activity</u>					
Fundraising ⁺	-	-	-	-	-
Income from Trading Companies	2.0	2.1	2.4	2.4	2.4
Other*	-	-	-	-	-
Total Trading Activity	2.0	2.1	2.4	2.4	2.4
Total Income	10.9	12.1	13.4	13.1	16.0
Expenditure					
Fundraising	0.6	0.5	0.3	0.4	0.4
Costs of the	8.9	9.5	10.1	10.2	10.4

charitable organisation	0.1	0.1	0.1	0.1	0.1
Additional company costs (e.g. legal)	2.0	2.0	2.1	2.1	2.1
Expenses of the Trading Companies	-	-	-	-	-
Other*					
Total Expenditure	11.6	12.1	12.6	12.8	13.0
Net Income prior to accounting adjustments	(0.7)	-	0.8	0.3	3.0

Detailed Assessment of Corporate Governance (against Cabinet Office Guidance)

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		<i>Statutory accountability</i>		RAF Museum		National Army Museum		National Museum of the Royal Navy	
The public body complies with all applicable statutes and regulations, and other relevant statements of best practice.	1	The public body must comply with all statutory and administrative requirements on the use of public funds. This includes the principles and policies set out in the HMT publication "Managing Public Money" and Cabinet Office/HM Treasury spending controls.	Yes	The RAFM is a charity registered with the Charity Commission, and governed in accordance with a Deed of Trust dated 4 June 2007. It is also an Accredited National Museum and Non-Departmental Public Body obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. The job description for the CEO states the need to comply with Managing Public Money and the Code of Financial Practice states that it is based upon the principles in Managing Public Money.	Yes	The National Army Museum (NAM) was incorporated by Royal Charter in 1960 with devolved status accorded by the National Heritage Act 1983. It is also a Charity registered with the Charity Commission and subject to the rules and regulations that are mandated under that registration. It is also an Accredited National Museum and Non-Departmental Public Body obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money and the Charity SORP - the Annual Report and Accounts (Consolidated Statement). This is documented in the annual accounts, the terms of reference for the Audit Committee, the financial framework, and the letter of authority and the job description for the CEO.	Yes	NMRN is an accredited Museum and a non-departmental public body sponsored by MOD, a registered charity and a company limited by guarantee. Overall control is via the board of trustees who are also company directors. There is a financial framework document in place with Navy Command and this is supported by a Scheme of Delegation. The job description for the Director General sets out clear responsibilities for acting as the Accounting Officer for GIA and being responsible to Parliament for the regular and proper handling of public funds, and confirms the requirement to comply with the guidance in Managing Public Money.	
	2	The public body must	Part	There is a Financial	Part	There is a financial	Part	There is a Financial	The Financial

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
	operate within the limits of its statutory authority and in accordance with any delegated authorities agreed with the sponsoring department.		Framework document in place which defines the arrangements between the RAFM and the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. The Financial Framework Document dated April 2010 (v 1.0) is available on the RAFM's website but this is now in need of updating. There are regular meetings between the RAFM and the Command to ensure that the RAFM operates within its delegated authorities but more detail is needed in the financial framework to make this process more effective.		framework document in place that defines the arrangements between the NAM and its Sponsor Department. This is available on request through the website. This has been reissued in 2015 but needs further refinement, and a review of the relationship with the Army, to make it more effective. The Director General and members of the senior management team have regular contact with the Sponsor Department to keep them informed of the budgets, staffing and in particular over the past two years the major redevelopment.		Framework document in place which defines the arrangements between the NMRN and the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This is not published or referred to on the website and is out of date having last been signed in 2009. A side-letter was issued by Navy Command in July 2014 in recognition of the fact that the Financial Framework was out of date and was unlikely to be updated until after the triennial review. There are meetings between the NMRN and Navy Command to ensure that the NMRN operates within its limits but the Financial Framework requires further detail to ensure that this is an effective process.	Frameworks need to be updated following the outcome of the triennial review to provide more detail on the respective roles and responsibilities of the Museums and Commands. To date it has largely been a principles based document and there is a need to agree on how to operationalise this to make it useful. The NMRN should make the updated document available through the website.	
3	The public body should operate in line with the statutory requirements and spirit of the Freedom of Information Act 2000.	Yes	There is a full Freedom of Information statement on the website which sets out required details.	Yes	The NAM has a Freedom of Information Policy included on its website and this sets out how NAM operates in order to comply with the provisions of the Act.	No	The NMRN is not defined as a Public Authority under Schedule 1 of the Freedom of Information Act and therefore does not have a Policy on this.	The MOD need to clarify the status of the NMRN and the resultant responsibilities that arise from it.	
4	It should have a comprehensive Publication	Yes	The 'Policy and Performance' section of the	Yes	The NAM has a section on the website dedicated to the	No	The NMRN does not have a Publication Scheme.	See above	

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
	Scheme. It should proactively release information that is of legitimate public interest where this is consistent with the provisions of the Act.		website is constructed in line with the Model Publication scheme of the Information Commissioner's Office.		Publication Scheme which states that "the purpose of this Publication Scheme is to demonstrate our commitment to the Freedom of Information Act by publishing information about the Museum. In order to achieve this, the Museum has adopted the Information Commissioner's approved model Publication Scheme".				
5	The public body must be compliant with Data Protection legislation.	Yes	A data protection policy dated 1 February 2015 is available on the website. The accounts record that there has been no data loss or breach of personal data within the last five years.	Yes	There are multiple references to the need to be compliant with the Data Protection Act on the website. It is referenced in the Records Management Policy but is mainly covered by a separate Privacy Policy that is available on the website. All staff on induction carry out Data Protection Training and this is regularly updated as part of an e-learning system. The accounts for 2014/15 record that there were no personal data loss incidents during the year.	Yes	The NMRN has a Data Protection Policy that dates from 2012. The accounts for 2014/15 state that there have been no personal data losses within the last seven years.		
6	The public body should be subject to the Public Records Acts 1958 and 1967.	Yes	The RAFM is subject to the Public Records Act of 1958 and 1967 but this is not published on the website. This is overseen by the Head of Archives.	Yes	The Records Management Policy which is available on the website refers to the need to comply with relevant legislation including the Public Records Act of 1958 and 1967. The policy also covers Information Assurance and establishes	No	The NMRN believes that it is not subject to the Public Records Act of 1958 and 1967.	See above	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
						the Information Asset Group. It is overseen by the Museum's Archivist reporting to the Senior Information Risk Officer (Museum Director) via the Information Asset Group.			
		Accountability for Public Money							
The Accounting Officer of the public body is personally responsible and accountable to Parliament for the use of public money by the body and for the stewardship of assets.	7	There should be a formally designated Accounting Officer for the public body. This is usually the most senior official (normally the Chief Executive).	Yes	Maggie Appleton MBE is the Chief Executive Officer and the Accounting Officer for the RAFM.	Yes	Janice Murray is the Director General and Accounting Officer for the NAM.	Yes	Professor Dominic Tweddle is the Director General and Accounting Officer for the NMRN.	
	8	The role, responsibilities and accountability of the Accounting Officer should be clearly defined and understood. The Accounting Officer should have received appropriate training and induction. The public body should be compliant with the requirements set out in "Managing Public Money, relevant Dear Accounting Officer letters and other directions. In particular, the Accounting Officer has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO) and an Annual Governance Statement. The PAO requires these to satisfy him or herself that the Accounting Officer	Yes	The roles and responsibilities of the Accounting Officer are set out in the letter from PUS dated January 2015, the Framework Agreement and are also covered in detail in the job description. This specifically includes the requirement to comply with Managing Public Money and the Financial Framework. There was a series of meetings to induct the CEO into the role but no formal induction procedure was followed. Internal audit services are provided by Moore Stephens but DIA retain a right of access to the RAFM. Assurance is provided to the PAO through the production of a set of annual accounts, annual	Yes	Letter from PUS dated November 2010 clearly sets out responsibilities and accountability. The job description for the role of Director General of the NAM states the requirement to be accountable to the MOD PUS in respect of financial regularity and propriety of GIA expenditure. Course run by the National School of Government on An Introduction to Public Accountability for Chief Executives attended by the DG on 23 March 2011. The internal audit service is provided by Moore Stephens and in the financial framework there is reference to allow DIA access to scrutinise NAM records. DIA last audited the	Yes	The roles and responsibilities of the Accounting Officer are set out in the Framework Agreement and the Job Description and in the letter of delegation from PUS dated January 2009. The Job Description refers to the accountability to Parliament and the relationship with Navy Command. The financial framework sets out that "The Director General as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for overall operations and management of the NMRN, recognising	

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
	responsibilities are being appropriately discharged. This includes, without reservation, appropriate access of the PAO's internal audit service to the NDPB.		report and annual governance statement which are subject to audit by the NAO.		NAM In 2013/14 and provided substantial assurance. DIA also have the right to ensure that the internal audit provider complies with PSIAS. Assurance is provided to the PAO through the production of a set of annual accounts, annual report and annual governance statement which are subject to audit by the NAO.		that day-to-day operation of individual museum sites is the responsibility of individual museum management. In addition, he or she should ensure that the NMRN as a whole is run on the basis of the standards, in terms of governance, decision making and financial management that are set out in Box 3.1 to managing Public Money (MPM)". The DG undertook a course in Introduction to Public Accountability for Chief Executives when first appointed to the role. There was no further formal induction as the NMRN was a brand new organisation. The financial framework also gives the right of access of Navy Command to review the operations of the NMRN and this is effected in part through DIA attendance at the NMRN Audit Committee. DIA undertook a review of the relationship between the NMRN and Navy Command in 2014 and could only provide limited assurance at that time. The Annual Report and Accounts also sets out the responsibilities of the DG in his role as Accounting Officer. Assurance is provided to the		

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
								PAO through the production of a set of annual accounts, annual report and annual governance statement which are subject to audit by the NAO.	
	9	<p>The public body should establish appropriate arrangements to ensure that public funds:</p> <p>are properly safeguarded;</p> <p>used in accordance with the statutory or other authorities that govern their use; and</p> <p>deliver value for money for the Exchequer as a whole.</p>	Yes	<p>There is a Code of Financial Practice. This requires updating and will be one of the first tasks given to the newly recruited Finance Manager who starts work at the beginning of May 2016. The Code includes delegated limits of authority for the CEO, CFO, Other Directors, Budget Managers and individual managers such as the Head of Retail and the Building and Services Manager. It is anticipated that this task will be complete by the summer. The RAFM has an Audit Committee chaired by Sir Gerry Grimstone with formal terms of reference that oversees the work of the internal and external auditors and which aims to meet at least twice a year. Members of the Review Team attended the March 2016 meeting of the Audit Committee. The annual accounts, annual report and annual governance statement record how the RAFM has complied with the</p>	Yes	<p>A Financial Procedures manual is in place and this is due to be reissued in April 2016 (updated version seen and reviewed). This provides an overview of the financial control of the NAM. All staff with "sign off" responsibilities are given their delegation by the Museum Director when he carries out the financial induction. The NAM have an internal audit service provided by Moore Stephens and are externally audited by the NAO. The NAM have an Audit and Risk Assurance Committee that is chaired by a Trustee and which is comprised of three other Trustees and an independent member. There are formal terms of reference for the Audit and Risk Assurance Committee which state that the Committee should meet three times a year and that the internal audit service should comply with PSIAS. The meetings are minuted and the Chair of the</p>	Part	<p>There is no Financial Procedures Manual in place at present, although there is guidance available from the previous legacy organisations. The NMRN has an established Audit Committee with documented ToRs, agendas and minutes. The ToRs state that the Committee will meet as required or as directed by the Main Board. Members of the Review Team attended the March meeting of the Audit Committee. There is a separate Development and Finance Committee, again with documented ToRs, agendas and minutes and the Review Team were again in attendance at the March meeting of this committee. Schemes of Delegation and Delegated authorities are also in place. The NMRN has an internal audit service delivered by BDO and it is externally audited by the NAO. The annual accounts, annual report and annual governance statement</p>	<p>Financial procedures need to be updated for the RAFM and NAM and the NMRN need to document their financial procedures to reflect the new entity.</p>

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
			requirements to safeguard public funds and to ensure that they are used appropriately. These arrangements are audited by the NAO who confirm their agreement with the statements in the annual report and accounts which includes the governance statement. There is no specific mention of VFM in either the accounts or the NAO Management Letter, but this is covered in the declaration of compliance with Managing Public Money.		Committee reports back to the regular meetings of the full NAM Council. The Review Team attended the March 2016 meeting of the Audit Committee. The NAM has to submit quarterly financial returns to the Army. The Army are invited to attend Council Meetings. . The annual accounts, annual report and annual governance statement record how the NAM has complied with the requirements to safeguard public funds and to ensure that they are used appropriately. These arrangements are audited by the NAO who confirm their agreement with the statements in the annual report and accounts which includes the governance statement. There is no specific mention of VFM in either the accounts or the NAO Management Letter, but this is covered in the declaration of compliance with Managing Public Money. .		record how the NMRN has complied with the requirements to safeguard public funds and to ensure that they are used appropriately. These arrangements are audited by the NAO who confirm their agreement with the statements in the annual report and accounts which includes the governance statement. There is no specific mention of VFM in either the accounts or the NAO Management Letter, but this is covered in the declaration of compliance with Managing Public Money.		
10	The public body's annual accounts should be laid before Parliament. The Comptroller and Auditor General should be the external auditor for the body	Yes	Confirmed.	Yes	The annual accounts are audited by the NAO and are published, although they do not formally record that they have been laid before Parliament. .	Yes	The annual accounts are audited by the NAO and are published, although they do not formally record that they have been laid before Parliament.		

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		Role of the Sponsoring Department							
The departmental board ensures that there are robust governance arrangements with the board of each ALB. These arrangements set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity	11	The departmental board's regular agenda should include scrutiny of the performance of the public body. The departmental board should establish appropriate systems and processes to ensure that there are effective arrangements in place for governance, risk management and internal control in the public body.	Yes	<p>The Departmental Board scrutinises the performance of the RAFM through the following:</p> <ul style="list-style-type: none"> - Sir Gerry Grimstone is a RAFM Board Member, Chair of the Audit Committee and also a Defence Board member. - Presence of Sir Baz North (Air Command) at quarterly Board Meetings - Presence of Air Command staff at quarterly Finance Committee meetings - Receipt of quarterly financial and operational performance data by Air Command - Meetings of Heritage Steering Committee - RAF Heritage and Aircraft Museums Committee - DIA have right of access 	Part	<p>The Departmental Board scrutinise the NAM through the following;</p> <ul style="list-style-type: none"> - Attendance at quarterly Council Meetings although there is no senior officer representation - Annual Meetings of the Army Heritage Committee - Annual Meetings of the Army Executive Heritage Committee - Six monthly meetings of the Army Museums Panel - Receipt of monthly financial data to support Grant-in-Aid drawdowns - DIA have right of access <p>The meetings hosted by the Army are not holding to account meetings but rather ensuring that there is a coordinated approach to the Army's Heritage Strategy amongst all its stakeholders.</p>	Part	<p>The Departmental Board scrutinise the performance of the NMRN through the following:</p> <ul style="list-style-type: none"> - The opportunity to attend the NMRN Board meeting although this opportunity has not been taken up for some time - Quarterly review meetings of the NMRN chaired by the NCHQ Command Secretary - Annual meetings of the Naval Heritage Strategic Steering Group chaired by 2SL - Receipt of financial information to support drawdowns from Grant-In-Aid - DIA have right of access and attend Audit Committee meetings but there role is unclear 	Although all deliberately adopt a light touch approach, there is inconsistency between the Commands in terms of their oversight and scrutiny of the Museums and the MOD and Commands need to agree an approach that aligns with the respective roles and responsibilities included in the updated Financial Frameworks for oversight of governance, risk management and internal control. .
	12	There should be a framework document in place which sets out clearly the aims, objectives and functions of the Museum and the respective roles and responsibilities of the Minister, the sponsoring	Part	There is a Financial Framework document in place which defines the arrangements between the Museum and the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its	Part	The financial framework document was updated in February 2015. It includes the aims, objectives and functions of the NAM and also sets out the roles and responsibilities for MOD but only at a very summarised	Part	There is a Financial Framework document in place which defines the arrangements between the NMRN and the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its	The Financial Frameworks need updating and publishing when agreed. This should cover the respective roles and responsibilities of the Minister, the MOD and

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		department and the public body. This should follow relevant Cabinet Office and HM Treasury guidance. The Framework document should be published. It should be accessible and understood by the sponsoring department, all board members and by the senior management team in the public body. It should be regularly reviewed and updated.		expenditure. The Financial Framework Document dated April 2010 (v 1.0) is available on the museum's website. The framework document states that it requires update every five years so this is now overdue. It also lacks sufficient detail to be clear on the respective roles and responsibilities of all parties, including the Minister.		level. It makes no real mention of the role of the Minister but it does refer to the accountability to Parliament through PUS. There is reference to this document on the website but only that information is available on request.		expenditure. This is not publically available and has not been updated since 2009 so it is out-of-date and in need of development to clarify respective roles and responsibilities. The side letter issued by Navy Command in July 2014 reminds the NMRN of its responsibilities and anticipates that oversight will be provided through attendance at Board meetings by Navy Command.	the Service Museum.
There is a sponsor team within the department that provides appropriate oversight and scrutiny of, and support and assistance to, the Public Body.	13	There should be regular and ongoing dialogue between the sponsoring department and the public body. Senior officials from the sponsoring department may as appropriate attend board and/or committee meetings. There might also be regular meetings between relevant professionals in the sponsoring department and the public body.	Yes	<p>Sir Gerry Grimstone is a Trustee of the Museum and Chair of the RAFM Audit & Risk Committee which normally meets quarterly, he is also a non-executive director of MOD. Sir Baz North, a serving RAF Officer, attends the quarterly Trustee meetings as the formal Air Command representative.</p> <p>The RAF Heritage Steering Committee, chaired by Sir Baz North meets 2-3 time per year. The meetings provide an opportunity for RAF and museum representatives to share thoughts and ideas. Karen Whiting, Director of Public Programmes for the</p>	Part	Although the Army are represented at Board and Committee meetings, this has not been at a senior level for some time following restructuring within the Command. The NAM is chaired by a retired 4* General and despite this person no longer being a serving member of the Army, the link is considered very valuable. The seniority of the post holder means both that they have access to the highest levels within the Army and they will also personally have the Army's best interests at heart. There are a number of meetings sponsored by the Army which are attended by the NAM, these include the	Part	The relationship between the NMRN and Navy Command is deliberately light touch. The NMRN is chaired by a former 1SL and Chief of the Naval Staff. There is a quarterly review meeting which is hosted by the Navy and which is chaired by the NCHQ Command Secretary, supported by the Governance and Heritage Leads and there will also now be a separate finance lead attending in future. The NMRN DG and FD attend on behalf of the Museum.	Inconsistencies in approach. Relationship between Air Command and RAFM viewed very positively. The relationship between NMRN and NC needs revisiting. The relationship between NAM and Army Command needs more senior input to be beneficial.

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
				Museum, represents the Museum on the Committee. Julie Micallef (Corporate Governance lead for RAF) and her team attend the quarterly Finance Committee meetings. This is only in an observation capacity but this does inform the information received to support the Grant-In-Aid drawdowns.		Army Heritage Committee, the Army Heritage Executive Committee and the Army Museums Panel. These meetings are focused on heritage strategy though rather than holding the NAM to account.			
		Role of the Board							
The public body is led by an effective board which has collective responsibility for the overall performance and success of the body.	14	The board of the public body should: - meet regularly - retain effective control over the public body - effectively monitor the senior management team."	Part	The Board of Trustees meets quarterly. There are no formal terms of reference for the Board other than that provided in the Constitution which dates from 2007. Review of agendas, minutes and supporting papers identifies that all relevant areas are covered and that effective challenge of the SMT is undertaken. This was supported through interview with Board and SMT members.	Part	The Council meets on a quarterly basis plus extraordinary meetings as required. There are no formal terms of reference for the Council but review of agendas, minutes and supporting papers identified that all relevant areas are covered and that effective challenge of the SMT is undertaken. This was supported by attendance by the Review Team at the March 2016 Council Meeting and through interview with Board and SMT members.	Part	The Board of Trustees meets quarterly although there are no formal terms of reference. Review of previous minutes confirms that they cover expected areas and interview with members of the SMT indicates that they are effective in their role.	Formal terms of reference need to be considered for each of the Museum Boards.
	15	The size of the board should be appropriate.	Yes	The Constitution allows for a maximum of 20 Trustees; there are currently 12. The RAFM are currently looking to appoint three new	Yes	There are 12 members listed on the website as Council Members. In addition the NAM can also appoint honorary members	Yes	As at the signing of the 14/15 accounts there were 15 trustees in place.	

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
			trustees through the public appointments process and interviews are taking place in the w/c 4 April 2016. These appointments will be to replace Trustees whose term of office is shortly to expire. They also have the opportunity to recruit up to three co-opted trustees which can be a means of providing the range of skills that the RAFM Trustees need.		who advise on specific issues (e.g. investments, legal or marketing).				
	16 Board members should be drawn from a wide range of diverse backgrounds.	No	The Chair and CEO both concur that there is not currently sufficient diversity in the Board of Trustees and the Chair is actively seeking to remedy this. The current recruitment round for April 2016 includes four short-listed female candidates. The Board continues to strive to achieve a diverse membership which is based not only on gender but on race and geography (i.e. avoiding a London bias in membership).	No	Three of the twelve Council members are women. In recruiting new members the NAM is looking for a range of skill sets that include both civilian and military backgrounds. Discussion with the Chair of the Museum demonstrates a clear commitment to achieve better diversification amongst board members and to get the right skills in for example finance, legal, and HR.	No	There is a clear view that there is not currently sufficient diversity in the board of trustees and the board is actively seeking to remedy this. A paper relating to diversity and equal opportunities was presented and debated at the March Audit Committee attended by the Review Team.	There is a recognition amongst all Boards that they are not sufficiently diverse but action is being taken to address this. This action needs to be continued to achieve greater diversity in Board membership.	
The board provides strategic leadership, direction, support and guidance.	17 The board should establish a framework of strategic control (or scheme of delegated or reserved powers). This should specify which matters are	No	There is no specific framework of strategic control document that sets out the required roles and responsibilities of the Board. Reference to	No	There is no specific framework of strategic control document that sets out the required roles and responsibilities of the Board other than the Royal Charter	No	There is no specific document that seems to set out the roles and responsibilities of the Board other than the Articles of Association for the	Formal terms of reference and/or frameworks of strategic control for the operation of the Board should be documented for each of	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		specifically reserved for the collective decision of the board. This framework must be understood by all board members and by the senior management team. It should be regularly reviewed and refreshed.		specific responsibilities are included in the Code of Financial Practice which will shortly be updated. This includes delegated limits for expenditure, write off of debt, signing contracts and arranging formal quotations and tenders. There are some gaps in detail on authorisation limits and these need to be addressed in the updated document. The Constitution document for the RAFM sets out the roles and responsibilities of the Board of Trustees in accordance with the requirements of the Charity Commission. However this document is dated 2007 and is therefore in need of an update.		which was last updated in 2009. NAM has a Financial Procedures document which is shortly to be re-issued and which contains details on specific limits of delegated authority but is not clear or comprehensive on the Board's role.		Company which sets out the powers of the Company and provides for the appointment and re-appointment of directors. There is a Schedule of Delegation but this is limited in its scope and does not relate directly to the Board.	the Museums.
The board and its committees have an appropriate balance of skills, experience, independence and knowledge.	18	The Board should establish formal procedural and financial regulations to govern the conduct of its business.	Yes	The Code of Financial Practice, which is shortly to be updated, is the key document for the governance of financial regulations. The Staff Handbook includes a Code of Conduct with which all staff are expected to comply.	Yes	There is a Financial procedures document in place which is shortly to be re-issued and an Ethics Policy	No	The Finance systems have undergone a significant transformation over the past 12 months but there is no Financial Procedures Manual in place. There are documents which relate to the previous individual Museums but these are now out of date.	The NMRN need to document their financial procedures
	19	The Board should establish appropriate arrangements to ensure that it has access to all such relevant information,	Part	The Board has undertaken a skills audit and gap analysis. The Board can be complemented by up to	Part	The Council has not undertaken a skills audit but the Chair has been proactive in trying to recruit	Part	Feedback at the Audit Committee and the Finance Committee referred to the improvement in the quality	Once Board Terms of Reference are produced, each Board needs to assess

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		advice and resources as is necessary to enable it to carry out its role effectively.		three co-opted members who are recruited for their specific skills and expertise but the lack of formal terms of reference for the Board result in it being difficult to gauge whether they have all the information and resource that they need.		Board members with expertise in specific areas such as finance, legal and marketing. However the lack of formal terms of reference for the Board results in uncertainty in whether it has sufficient resource and information.		and timeliness of information provided to them. Although the Board is considered to be effective in carrying out its duties there is no specific clarity on its role and therefore it is difficult to define the information, advice and resource that it needs to undertake its role.	whether it has sufficient resource, information and advice, particularly legal advice, to enable it to undertake its duties effectively.
There is a clear division of roles and responsibilities between non-executive and executives.	20	The Board should make a senior executive responsible for ensuring that appropriate advice is given to it on all financial matters.	Yes	Phil Walsh is the Finance Director for the RAFM. He is a qualified accountant	Part	The NAM has a qualified accountant in the role of Head of Finance. While she attends Audit Committee and Board meetings, she is not included in the list of senior staff on the website and she does not lead on the financial discussion in these meetings. Instead this role is undertaken by the Museum Director who is not a qualified accountant. Managing Public Money Annex 4.1 states that it is good practice for all public sector organisations to have a professional Finance Director with a seat on the Board and at a level equivalent to other Board Members.	Yes	Sarah Dennis is the Finance Director and is a qualified accountant.	The NAM should consider whether it has sufficient financial expertise at a senior level in line with the guidance in Managing Public Money.
	21	The Board should make a senior executive responsible for ensuring that Board procedures are followed and that all applicable statutes	Yes	The Finance Director takes on this role.	Yes	This is undertaken by the Director General, supported by the Museum Director and the Assistant Director of HR.	Yes	The Finance Director is responsible for supporting the governance function and ensuring the Board is appropriately advised on,	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		and regulations and other relevant statements of best practice are complied with.						and complies with, changes to law and good practice.	
	22	The Board should establish a remuneration committee to make recommendations on the remuneration of top executives.	Yes	A Staffing and Remuneration Committee is in place and meets quarterly. There is a terms of reference, however, the accounts record that this did not meet at all during 2014-15 although there is evidence of it meeting during the current financial year.	Yes	The NAM has a Remuneration and Appointments Committee for which there are formal terms of reference. Meetings should be at least annually and the Committee should comprise three members of the Council. The ToR are dated March 2015 and the Accounts record that it met informally during 2014/15	Yes	A Nominations and Remuneration Committee is in place and meets as required - during the 2014/15 financial year it met on five occasions. It has formal terms of reference.	
	23	Information on senior salaries should be published.	Yes	A remuneration report is included in the RAFM accounts and is subject to audit.	Yes	A remuneration report is included in the NAM accounts and is subject to audit.	Yes	A remuneration report is included in the NMRN's accounts and is subject to audit.	
No one individual has unchallenged decision-making powers.	24	The board should ensure that the body's rules for recruitment and management of staff provide for appointment and advancement on merit.	Yes	The staff handbook states that "Opportunities for promotion at the Museum are always based on merit, performance and the willingness of the individual to accept increased responsibilities." There is also a documented section on equality covering both potential and actual employees,	Yes	The NAM's Recruitment and Interview Policy sets out that all candidates must be treated fairly to avoid any issues of discrimination and to ensure that the best person is recruited for the job. Detail is provided in terms of discrimination relating to age, race, sex, marital status, disability and rehabilitation of offenders. There is also a section on Equal Opportunities and Dignity at work. In addition there is a further statement in the accounts.	Yes	The Annual Accounts include a statement as follows "The Company is committed to managing staff solely on the basis of actual performance in the job and considering new applicants solely on the basis of ability to do the job. The Company follows MOD and Civil Service guidelines on such practices and, in particular, has taken the contents of the MOD Civilian Equal Opportunities Policy Statement with reference to the Equality and Diversity Policy Declaration as its Equal Opportunities Policy.	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
	25	The Chief Executive should be accountable to the Board for the ultimate performance of the public body and for the implementation of the Board's policies. He or she should be responsible for the day-to-day management of the public body and should have line responsibility for all aspects of executive management.	Yes	The Job description for the CEO makes it clear that the role is accountable to the Board and for the ultimate leadership and performance of the RAFM and for the implementation of Board policies. This is reaffirmed in the Annual Governance Statement.	Yes	The job description for the CEO sets out the accountability of the role to both the NAM Council and to Parliament. Reference to the responsibilities is also made in the Annual Governance Statement, which include the day to day management of the Museums and general reference to the requirements of Managing Public Money. .	Yes	The CEO is the Director General. The job advert for his post makes it clear that the role has over-arching responsibility for the leadership and management of the NMRN, including the implementation of policies. This is reaffirmed in the Annual Governance Statement.	
	26	There should be an annual evaluation of the performance of the board and its committees and of the Chair and individual board members	Yes	The Internal Auditors undertook a review reported in September 2014 which recorded and reported the results of the board evaluation exercise in that year. In the current year the review has been undertaken by a board member who is a clinical psychologist who has performed a skills audit and a gap analysis.	No	There has been no formal board effectiveness evaluation undertaken, although the Board has received formal training on three specific current topics during the past five years. Additionally all Council members within the past year received trustee training by the Museum retained legal advisers (Charles Russell Speechlys)	Yes	Board Assessment Surveys were undertaken and reported back to the Board in July 2015.	The NAM need to undertake a formal review of Board effectiveness.
		Role of the Chair							
The Chair is responsible for leadership of the board and for ensuring its	27	The board should be led by a non-executive Chair.	Yes	Air Chief Marshall Sir Glenn Torpy is Chair of the RAFM board - he is a non-executive.	Yes	General Sir Richard Shirreff is the Chair of the NAM Trustees - he is a non-executive	Yes	Admiral Sir Jonathan Band is the Chair - he is a non-executive.	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
overall effectiveness.	28	There should be a formal, rigorous and transparent process for the appointment of the Chair. This should be compliant with the Code of Practice issued by the Commissioner for Public Appointments.	Yes	All Board Members are appointed by the Secretary of State in accordance with the Code of Practice issued by the OCPA.	Part	There is a documented policy on the appointment of members to Council. This states that the Chair is not appointed by the SoS but that as a formality the Executive Committee of the Army Board approves all Council appointments but does not influence them. The accounts also record that the NAM subscribes to the Commissioner for Public Appointments Code of Practice for Public Appointments procedures.	Yes	All Trustees are appointed in accordance with OCPA guidelines and this is covered by a paper on Trustees appointment and reappointments that cross refers to the Articles of Association. This includes a section on the appointment of the Chair.	
	29	The Chair should have a clearly defined role in the appointment of non-executive board members.	Part	There is nothing specifically documented on the role of the Chair in appointing NEDs. Discussion with the RAFM Chair evidenced that he drives the recruitment process and has a clear idea of the skills and experience that he is looking for in new Board members. He is heavily involved in the shortlisting of applicants and in their subsequent review and appointment.	Part	There is a person specification for Council members but not specifically for the Chair. However, the Chair is heavily involved in the recruitment, interview and appointment of Board members.	Part	There is nothing specifically documented on the role of the Chair but we understand that he would have a significant involvement in the appointment of new Board members.	The role and responsibilities of the Chair should be documented.
	30	The duties, role and responsibilities, terms of office and remuneration of the Chair should be set out clearly and formally defined in writing. Terms and conditions must be in line with Cabinet Office guidance	No	The roles and duties of the Chair have not been formally documented - the position is unpaid.	No	The roles and duties of the Chair have not been formally documented - the position is unpaid.	No	The roles and duties of the Chair have not been formally documented - the position is unpaid.	As above

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		and with any statutory requirements.							
	31	The responsibilities of the Chair will normally include representing the public body in discussions with Ministers;	Part	There is nothing specifically documented on the role of the Chair, but interview with the current Chair demonstrates his understanding of the role. Interview with the CEO and Sir Baz North from Air Command confirms that he is regarded as a highly effective Chair. Review of Board minutes supports this view.	Part	From discussion with the current Chair these responsibilities are within his remit but they have not been formally documented. Interview with the current Chair and review of board minutes evidences his understanding of, and commitment to, the role.	Part	From discussion with the SMT, review of relevant documentation and attendance at senior committee meetings these responsibilities are within his remit and are well understood but have not been formally documented.	As above
	32	advising the sponsoring Department and Ministers about board appointments and the performance of individual non-executive board members;							
	33	ensuring that non -executive board members have a proper knowledge and understanding of their corporate role and responsibilities. The Chair should ensure that new members undergo a proper induction process and is normally responsible for undertaking an annual assessment of non-executive board members' performance;							
	34	ensuring that the board, in reaching decisions, takes proper account of guidance provided by the sponsoring department or Ministers.							
	35	ensuring that the board carries out its business efficiently and effectively;							
	36	representing the views of							

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		the board to the general public; and							
	37	developing an effective working relationship with the Chief Executive and other senior staff.							
	38	The roles of Chair and Chief Executive should be held by different individuals	Yes	The Chief Executive is Maggie Appleton. The Board is chaired by Air Chief Marshall Sir Glenn Torpy.	Yes	The Chair is General Sir Richard Shirreff and the Chief Executive (Director General) is Janice Murray	Yes	The Chair is Admiral Sir Jonathan Band the CEO is Professor Dominic Twedde.	
		Role of Non-Executive Board Members							
As part of their role, non-executive board members provide independent and constructive challenge.	39	There should be a majority of non-executive members on the board.	Yes	At the current time there are only 12 Trustees on the Board but interviews were being held to appoint three new members.	Yes	The Council is totally comprised of 12 non-executive members and the Executive Team report to it. The Director General is not a member of Council.	Yes	The Board is comprised of 15 Trustees and the Executive Team reports to it. The Director General is not a member of the Board.	
	40	There should be a formal, rigorous and transparent process for the appointment of non-executive members of the board. This should be compliant with the Code of Practice issued by the Commissioner for Public Appointments.	Yes	Board members are appointed for a maximum of two five-year terms by the Secretary of State for Defence. As such the appointments are covered by guidance and procedures in accordance with the Commissioner for Public Appointments' Code of Practice.	Yes	There is a formal policy, nomination form and person specification for appointments to the Council. The nomination form includes the following wording " The NAM is a Royal Chartered body and a registered charity independent of the state, regulated by the Charity Commission and not the Office of the Commissioner for Public Appointments (OCPA) under whose code of Practice appointments to ENDPBs are made. Nevertheless the appointments process and	Yes	Trustees are appointed for a maximum of two five year terms in accordance with OCPA guidelines and the NMRN's Articles of Association.	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
			Yes		Yes	nomination form is kept under continuous review to ensure that it responds to initiatives made by the OCPA". The accounts record that the Council has chosen to subscribe to the Commissioner for Public Appointments Code of Practice.	Yes		
	41	The duties, role and responsibilities, terms of office and remuneration of non-executive board members should be set out clearly and formally defined in writing.	Yes	This is set out in the job advertisement for new Board members. There is no remuneration paid for this role.	Yes	The person specification set out for the role of a Council member which is an unpaid role.	No	This has not been documented although the role is unpaid.	The NMRN should document the role of the Trustee. All Trustees should sign a formal terms of appointment setting out their roles and responsibilities.
	42	Terms and conditions must be in line with Cabinet Office guidance and with any statutory requirements.	Yes	There is no remuneration paid. The appointments are covered by guidance and procedures in accordance with the Commissioner for Public Appointments' Code of Practice.	Yes	Members of Council are appointed for a three year term, which may be renewed once, and are not remunerated (reasonable expenses will be paid)	No	No remuneration is paid although reasonable expenses will be covered but there is nothing documented on the appointment of Board members.	As above.
	43	The corporate responsibilities of non-executive board members (including the Chair) will normally include:	Yes	There is a document provided to Trustees on their appointment entitled Roles and Responsibilities although this is in the process of being updated;	Yes	Members of Council are appointed for a three year term, which may be renewed once, and are not remunerated (reasonable expenses will be paid)	Part	There is nothing specifically documented but Board Members are provided with links to Charity Commission documentation on the role of the Trustee and compliance with these roles and requirements has been evidenced through review of Board and Committee papers and attendance at	The NMRN should document guidance on the role of a Trustee.
	44	establishing the strategic direction of the public body (within a policy and resources framework agreed with Ministers);		The agenda for the March 2016 Board meeting includes the need to approve the Strategic Plan, the Corporate Plan and the		Documented guidance on the role of Trustees includes the following			

Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
			Business Plan for 2016-17.				meetings.		
	45 overseeing the development and implementation of strategies, plans and priorities;		The job description for Board members refers to the need to safeguard the aims and objectives of the RAFM and to have overall responsibility for all aspects of RAFM operations.		To set the strategic framework and business objectives of the NAM.				
	46 overseeing the development and review of key performance targets, including financial targets;		The agenda for the March 2016 Board meeting includes financial performance, budget setting and review of the KPI dashboard.		As above (and evidenced by Review Team attendance at Council meeting).				
	47 ensuring that the public body complies with all statutory and administrative requirements on the use of public funds;		The roles and responsibility document refers to the need to comply with Managing Public Money		To provide high level financial oversight, audit and risk management advice.				
	48 ensuring that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsoring department;		The roles and responsibility document states that Trustees carry the ultimate responsibility for the RAFM and should ensure that it complies with Charity Law and remains solvent. There is no specific reference to delegated limits and this should be covered in the Framework of Delegation referred to above.		There is no specific reference to delegated limits and this should be covered in the Framework of Delegation referred to above.				
	49 ensuring that high standard of corporate governance are observed at all times. This should include ensuring that the public body operates in an open, accountable and responsive way; and		The roles and responsibility document states that Trustees are primarily responsible for the oversight of the RAFM and its proper governance.		Nomination form includes the following wording "public appointments demand the highest standards of propriety, involving impartiality, integrity and				

Accountability										
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
	50 representing the board at meetings and events as required.		The job description for Board members includes details on required attendance at Board and sub-committee meetings.		The documented guidance states that Council members play a key role in the governance of the Museum and should participate fully in the NAM's business. Council members are expected to attend each meeting of the Council and related sub-committees.					
	51 All non-executive Board members must be properly independent of management.	Yes	The RAFM issues a document to all new Board Members which is entitled "The Respective Roles of Trustees and the Senior Management Team". This is not a detailed document and it advises Board members to read "Managing Public Money". However it does state that Trustees are not senior managers making decisions which ought to be the responsibility of the Senior Management Team.	Part	The person specification makes it clear the role relates to the governance of the NAM but none of the policy or recruitment documents specifically makes the point of being independent of management. Discussed with NAM who agree that it is not explicitly stated but that it is implicit through practice and through being specifically referred to in training. The responsibilities of the Trustees are laid down in the Charter and Bye-laws and in the guidance on the appointment of Trustees.	Part	There is nothing specifically documented on the independence of Trustees but attendance at Board Committee meetings and review of relevant minutes demonstrates that the role is independent of management.		The NAM need to clarify in their guidance that the role is independent of management. The NMRN need to document the roles and responsibilities of Trustees.	

Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
	52	All non-executive board members must allocate sufficient time to the board to discharge their responsibilities effectively.	Yes	The job advert for Board members sets out the likely time commitments necessary. The accounts show the level of attendance of individual board members. Board attendance for 2014/15 stood at 71% and sub-committee attendance was 67%.	Yes	Policy documents (e.g. the Person Specification) articulate the need to make time available to attend meetings of the Council and relevant sub-Committees. The accounts show the level of attendance of individual board members. Board attendance for 2014/15 stood at 77% and sub-committee attendance was 68%.	Part	Nothing is documented to show that the expected time commitments of trustees are made clear. The accounts show the level of attendance of individual board members. Board attendance for 2014/15 stood at 82% and sub-committee attendance was 92%.	Role of NMRN Trustees needs to be documented.
	53	Details of board attendance should be published (with an accompanying narrative as appropriate).	Yes	This is published in the Accounts.	Yes	This is published in the Accounts.	Yes	This is published in the Accounts.	
	54	There should be a proper induction process for new board members. This should be led by the Chair. There should be regular reviews by the Chair of individual members' training and development needs	Yes	The index of the Training Pack that is issued to new Board members has been provided which covers the role of the Trustees and the interaction with the SMT. The process is led by the Chair and training and development needs have been reviewed as part of overall board effectiveness surveys.	Yes	There is a formal induction process for prospective members of the Council supported by an Induction Pack. The induction process is led by the Chair. While there has been no formal review of training and development needs, training courses have been provided and the Chair is focused on ensuring that the Council has an appropriate range of skills.	Yes	There is a Trustee Induction Policy, led by the Chair, which combines all the necessary background reading material including items such as the Articles of Association, copies of recent a meeting minutes, Charity Commission guidance, Museum Association Guidance on Code of Ethics for Trustees, NMRN Strategic and Corporate Plans, with a day visit to the NMRN to meet key staff and to discuss current issues. Training and development needs are reviewed as part of the Board Surveys.	

Effective Financial Management									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		Annual Reporting							
The public body has taken appropriate steps to ensure that effective systems of financial management and internal control are in place.	55	The body must publish on a timely basis an objective, balanced and understandable annual report. The report must comply with HM Treasury guidance	Yes	The RAFM publishes an annual report and accounts and an annual review. The 2014-15 annual audit opinion is provided by the NAO and reports no exceptions.	Yes	The NAM publishes an annual report and accounts and an annual review. The 2014-15 annual audit opinion is provided by the NAO and reports no exceptions.	Yes	The NMRN publishes an annual report and accounts and an annual review that is subject to audit by the NAO. The 2014-15 annual audit opinion reports no exceptions.	
		Internal Controls							
	56	The public body must have taken steps to ensure that effective systems of risk management are established as part of the systems of internal control.	Yes	The RAFM has a Risk Management Strategy dated 2014-2019. Key risks are reported to the Audit and Risk Committee and our attendance at the March 2016 Committee meeting demonstrated the robustness of the review. Risk registers are in place at a Departmental, project, programme and strategic level.	Part	The NAM has a Risk Policy dated March 2016. The Risk Register is reviewed at the Audit and Risk Assurance Committee annually. There is a separate risk register for the Building for the Future project - this is maintained by the external consultants (Focus) and is reviewed at Committee and Council meetings.	Yes	The NMRN has a documented Risk Management Policy which provides a comprehensive approach and includes detailed procedures. Risks are reviewed on a quarterly basis at a directorate level and by the Audit and Risk Committee. The approach was audited by the internal auditors during 2014/15 who noted that engagement with the approach needed to be improved.	The NAM Audit Committee should review the key risks at each of its meetings.
	57	The public body must have taken steps to ensure that an effective internal audit function is established as part of the systems of internal control. This should operate to Government Internal Audit Standards and in accordance with Cabinet Office guidance. The effective internal audit function could be provided	Yes	The RAFM's internal auditors are Moore Stephens who work to the Public Sector Internal Audit Standards and Cabinet Office guidance and provide an independent opinion on the matters subject to review through the internal audit programme. The work programme is signed-off by the Trustees' Audit & Risk	Part	The internal audit service is provided by Moore Stephens. They have been in post since early 2015 following a competitive tender process. They undertake approximately 3 reviews each year (and for 2015/16 one of these is a workshop). The budget for the two reviews was 13 days - the amount of time	Yes	The NMRN has outsourced its internal audit service to BDO. The Internal Audit plan which covers the period 2015-2018 includes an appendix which demonstrates how they comply with Public Sector Internal Audit Standards. There are 57 days in the Internal Audit Plan for 2016/17. There has been an	"The Audit Committee and management of the NAM should review whether it receives sufficient IA coverage?"

Effective Financial Management									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
	by a cross-government supplier.		Committee and the report of the internal auditors is received by that same sub-committee. The suggested annual programme for the next three years is 57 days per annum but anticipated that this can reduce to 40-45 days from 2019 onwards. There has not been an external quality assessment undertaken within the tenure of the current internal auditors.		required for the workshop is not clear. There is no internal audit plan produced - rather it is a discussion with the Audit and Risk Assurance Committee and reference to the risk matrix. The accounts records that they are compliant with Public Sector Internal Audit Standards but the absence of a documented risk-based plan would seem to fail PSIAS. As they have only been delivering the service to the NAM for a short time they have not yet had an external quality assessment of the service. We are advised that the Internal Auditors are producing a risk based plan for the July 2016 meeting of the Committee.		external quality assessment of the Internal Audit Service.		
58	There must be appropriate financial delegations in place. These should be understood by the sponsoring department, by board members, by the senior management team and by relevant staff across the public body. Effective systems should be in place to ensure compliance with these delegations. These should be regularly reviewed	Part	Financial delegations are set out in the Code of Financial Practice. This document is out of date and will be updated by the new Finance Manager when he commences in post in early May. Although the RAFM is subject to both internal and external audit there are no other specific mechanisms for monitoring compliance, albeit that the number of	Part	The Financial Procedures Manual contains delegated limits and these are shortly to be re-issued. In addition the Director General has delegated levels of sign off before reference to the NAM Council. Although the NAM is subject to both internal and external audit there are no other specific mechanisms for monitoring compliance, albeit that the	Part	There is a scheme of delegation in place. This was last updated in May 2014 and includes authorisation limits for named individuals. Although the Museum is subject to both internal and external audit there are no other specific mechanisms for monitoring compliance, albeit that the number of staff with delegated authority	As part of the updating of the financial procedures, and also of the financial frameworks, schemes of delegation and delegated authorities should be revisited to ensure that these have been appropriately agreed, approved and understood, and that there are procedures in	

Effective Financial Management									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
			staff with delegated authority are relatively small.		number of staff with delegated authority are relatively small.		are relatively small.	place to check compliance and ensure regular review	
59	There must be effective anti-fraud and anti-corruption measures in place.	Yes	According to the staff handbook ""The Museum has a Whistleblowing Policy whereby staff can raise issues of malpractice, which may involve, amongst other matters, financial corruption, abuse of staff, breach of legislative requirements and Museum policies."" The Code of Conduct encourages staff disclosure of instances of fraud identified and refers to their rights under PIDA legislation.	Yes	There is no separate policy but this is included in the Staff Handbook and in the Ethics Policy. Reference to the Bribery Act is also made in the Draft Financial Procedures document and the annual governance statement records that all staff have had training on it.	Yes	The NMRN has both a Fraud Awareness and Bribery Policy in place dated 2012.		
60	There must be clear rules in place governing the claiming of expenses. These should be published. Effective systems should be in place to ensure compliance with these rules. The public body should proactively publish information on expenses claimed by board members and senior staff.	Part	There is an expenses policy which is currently under review, having been effective from 1 January 2012. This is publically available through the RAFM website. Line manager responsibility for approving expenses are clearly set out. The expenses claimed by Trustees are recorded in the accounts but nothing is provided for executive management. The RAFM believes it doesn't have to publish this information following the greater freedoms given to Museums.	Yes	The NAM follows MOD guidance on rates and these are included in the Remuneration and Benefits Policy. Detailed procedures for claiming expenses are also included in the financial procedures. Detail on expenses claimed by board members are included in the annual accounts and expenses claimed by senior staff are available on request through the website, as are all related staff policies.	No	There is no current Expenses Policy documented (following the integration and restructuring exercise a full review of all legacy policy documents is being undertaken - this is expected to take 18 months and will be undertaken in a prioritised order). The amount of expenses paid is however minimal and anything that appears excessive is challenged by the Finance Team. Figures on expenses claimed by the Management Board and Trustees are disclosed in the annual accounts.	The NMRN need to document and publish an Expenses Policy and clarity should be sought on whether expenses claimed by senior staff should be published.	

Effective Financial Management									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
	61	The annual report should include a statement on the effectiveness of the body's systems of internal control.	Yes	There is a governance statement in the annual reports and accounts. This states that the overall governance arrangements have been effective and that no significant internal control issues have been noted over the last year.	Yes	There is a statement on the effectiveness of internal control in the annual governance statement contained in the annual accounts.	Yes	An annual governance statement is included in the Annual Accounts which comments on the effectiveness of its internal controls.	
		Audit Committee							
	62	The board should establish an audit (or audit and risk) committee with responsibility for the independent review of the systems of internal control and of the external audit process	Yes	The RAFM has an Audit and Risk Committee which meets three times per year and is chaired by Sir Gerry Grimstone. Terms of reference are in place and cover internal control and external audit but are undated. However, the minutes of the September 2015 meeting include a reference to the TORs being updated since the prior meeting. The Review Team attended the March 2016 Audit and Risk Committee.	Yes	There is an Audit and Risk Assurance Committee in place. This is chaired by a Trustee and has responsibility for systems of internal control and the external audit process. The terms of reference for this Committee have been provided and were updated in March 2015. The Review Team attended the March 2016 Audit Committee.	Yes	An Audit and Governance Committee is in place. The terms of reference for the Committee do not set a defined number of meetings per year but the accounts for 2014/15 record that four meetings took place. We attended the meeting held in March 2016. The ToRs make clear that the Committee has responsibility for overseeing internal and external audit, risk management, and governance.	
		External Auditors							
	63	The body should have taken steps to ensure that an objective and professional relationship is maintained with the external auditors	Yes	The external audit service is provided by the NAO. Discussion with the RAFM SMT indicated that the process went very smoothly last year. The NAO attend all Audit Committees.	Yes	The external auditors are the NAO who attend all Audit Committee meetings. The relationship with the NAO is considered to be good.	Yes	The external audit service is provided by the NAO who attend all Audit Committees. The relationship with the NAO is considered to be good.	

Communications									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		Communications with Stakeholders							
The Public Body is open, transparent, accountable and responsive.	64	The public body should have identified its key stakeholders. It should establish clear and effective channels of communication with these stakeholders.	Yes	The RAFM has developed a Stakeholder Management Plan which identifies its key stakeholders as part of the preparation for the centenary celebrations in 2018. It also has a Communications Strategy (2014-2018) in place which identifies the various media through which key stakeholders will be kept informed.	Parts	There is a Communications Policy in place but the identification and engagement with key external stakeholders needs to be revisited as part of the Building for the Future project. The NAM has an Outreach and Access Department which engages with all areas of the NAM's audience, as well as looking to extend that audience.	No	The NMRN does not have a Communications Policy.	The NAM needs to update its Communications Policy and the NMRN needs to consider whether it should have one.
		Communications with the Public							
	65	The public body should make an explicit commitment to openness in all its activities. It should engage and consult with the public on issues of real public interest or concern. This might be via new media.	Yes	The Communications Strategy sets out the various ways in which the public will be kept updated of relevant activities. The website contains a media vault with press releases, podcasts, videos etc. The accounts include a section of information and public access.	Yes	The NAM has its own website and a presence on Facebook and Twitter. It undertakes lot of outreach activities and also attends local residents' meetings. As mentioned above it has a dedicated section of the website for the Publication Scheme which is designed to publish as much information as possible on the NAM.	No	There is no explicit commitment to openness and the NMRN website lacks much of the corporate information that is published on the other Museums' websites. An Annual Review is produced and this is made available through the website.	The NMRN is currently not demonstrating a commitment to openness in its activities and should consider adopting the approach that the other Museums have taken.
66	It should publish details of senior staff and boards members together with appropriate contact details.	Yes	The website includes a list of the senior management team and the trustees with their biographies. They are also listed in the Annual Review. Individual contact details are not provided, but there are general contact	Yes	Names of Council Members and Senior Staff are listed on the website with generic contact details. Names are also given in the accounts.	Part	The website mentions the role of Trustees but does not list who they are. It does however include an annual review (Impact 2015) which lists the Trustees. The annual accounts does list the names of the trustees	As above	

Communications									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
			details for the RAFM.				but there are no specific contact details.		
67	The public body should consider holding open board meetings or an annual open meeting.	No	The RAFM does not hold open board meetings - it does have focus groups however where the public are invited to participate	No	The NAM does not hold open board meetings. This was rejected at the NAM council meeting of 15 July 2015 on the grounds that the presence of the public would either unnecessarily restrict debate or lead to many items being restricted because of commercial confidentiality. It was noted that no other member of the National Museum Directors Conference (NMDC) admitted members of the public	No	The NMRN does not hold open board meetings and there is no intention to do so.	N/a. None of the Museums hold public board meetings but this has been considered and is not a priority for Museums.	
68	The public body should proactively publish agendas and minutes of board meetings.	Part	Minutes of the Trustee Meetings are available on the website - but these only go up to the end of 2014. These are due to be updated shortly.	Part	Minutes are published on the website but these have not been updated since March 2015	No	There are no Board minutes or agendas available through the website.	The RAFM and NAM need to keep their websites up to date with board agendas and minutes. The NMRN need to consider publishing this information on their website.	
69	The public body should proactively publish performance data.	Yes	The Annual Review contains data on visitor numbers, both physical and virtual and gives a summary of financial performance. This is circulated to Friends of the RAFM, partners, other external stakeholders	Yes	The NAM publishes an Annual Review which includes performance data. Due to the NAM being closed for extensive building work, this is not particularly detailed at present.	Yes	The NMRN publishes an annual Impact report on its website. This contains performance information on visitor numbers by demographic; sources of income and applications of funds; website visits; value of press and PR coverage; social media coverage; TripAdvisor ratings;		

Communications									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
								volunteer numbers and hours; learning visits to schools and learning activities with adults, community and family audiences.	
70	In accordance with transparency best practice, public bodies should consider publishing their spend data over £500. By regularly publishing such data and by opening their books for public scrutiny, public bodies can demonstrate their commitment to openness and transparency and to making themselves more accountable to the public.	Yes	All Museums have a dispensation on this requirement which means that it only has to publish expenditure above £25k. This is published directly onto the Cabinet Office website.	Yes	The limit for Museums is £25k and a report is sent monthly to Army Command for publishing which includes this.	No	The NMRN are not publishing spend data on the Cabinet Office website.	The status of the NMRN needs to be confirmed in respect of the responsibilities normally expected of a public body.	
71	The public body should establish effective correspondence handling and complaint procedures. These should make it simple for members of the public to contact the public body and to make complaints. Complaints should be taken seriously. Where appropriate, complaints should be subject to investigation by the Parliamentary Ombudsman.	Yes	There is a Complaints procedure available through the website. This provides a variety of methods in which customers can complain and there is a requirement that all complaints will be responded to within 20 working days. There is no mention of the Parliamentary Ombudsman but in the context of the role of the Museums this is not regarded as an issue.	Yes	The NAM has a formal Complaints Procedure, which is available through the website. Complaints must be acknowledged within 10 working days and replied to within 30 working days. There is no mention of the Parliamentary Ombudsman but in the context of the role of the Museums this is not regarded as an issue	No	There is no formal Complaints Procedure although the NMRN does encourage customer feedback through Visitor Surveys and Mystery Shoppers.	The NMRN should document a Complaints Procedure.	
72	The public body should monitor and report on its performance in handling correspondence	No	There is no current process undertaken to monitor the performance in responding to correspondence.	Yes	Complaints are reviewed at Management Team meetings	Part	There is no direct monitoring of correspondence but the results of the Visitor Experience are reported to	A process should be instigated to ensure that any complaints are monitored and	

Communications									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
								each meeting of the Operations and HR Committee.	effectively and promptly followed-up by all Museums.
	Marketing and PR								
73	The public body must comply with the Government's conventions on publicity and advertising.	No	The RAFM is not complying with this requirement but there is confusion following recent announcements on further freedoms for Museums as to whether this still applies.	No	The NAM is not complying with this requirement but there is confusion following recent announcements on further freedoms for Museums as to whether this still applies.	No	The NMRN is not complying with this requirement but there is confusion following recent announcements on further freedoms for Museums as to whether this still applies.	The position with regards to complying with Government conventions on publicity and advertising needs to be clarified.	
74	These conventions must be understood by board members, senior managers and all staff in press, communication and marketing teams.	No	As above	No	As above	No	As above	As above	
75	Appropriate rules and restrictions must be in place limiting the use of marketing and PR consultants.	No	As above	No	As above	No	As above	As above	
76	The public body should put robust and effective systems in place to ensure that the public body is not, and is not perceived to be, engaging in political lobbying. This includes restrictions on board members and staff attending Party Conferences in a professional capacity.	No	The Code of Conduct contained within the Staff Handbook makes reference to the need to avoid a conflict between outside activities and those of the RAFM. There is however no specific wording in the code that applies to political activities.	Part	During election campaigns e-mails are sent to all staff and Council members to remind them of their responsibilities in avoiding any perceived political lobbying. The Ethics Policy sets down approval procedures for involvement in any public debate and states that corporate funds and facilities must not be used to support political parties. It however makes no specific reference to	No	There is nothing documented on this.	Although the Museums represent a low risk politically, there should be explicit guidance on rules relating to political lobbying and engagement, (including attendance at party conferences).	

Communications									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
						political lobbying and membership.			

Conduct and behavior									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
The board and staff of the public body work to the highest personal and professional standards.		Conduct							
	77	A Code of Conduct must be in place setting out the standards of personal and professional behavior expected of all board members. This should follow the Cabinet Office Code. All members should be aware of the Code.	Part	There is no specific Code of Conduct for Trustees. Instead Trustees are required to comply with the Charity Commission Guidance on the Essential Trustee which was updated in July 2015.	Yes	The NAM has an Ethics Policy in place which includes the requirements of the Cabinet Office Code but is mapped directly to the Museum Association's Code of Ethics for Museums. It also sets out the Principles of Public Life in recruitment documentation for appointment of members to Council.	Part	The NMRN has a Behaviours and Values Statement and an Equal Opportunities and Dignity at Work Policy. There is however no overall Code of Conduct which covers all of the expected areas under the Cabinet Office Code.	The RAFM and NMRN need to consider whether they need to document a specific Code of Conduct for Board Members that fully covers the requirements of the Cabinet Office code.
They promote the values of the public body and of good governance through their conduct and behaviour.	78	The Code should form part of the terms and conditions of appointment.	Part	As above there is no separate Code of Conduct for Trustees. The Charity Commission guidance is referred to in the induction material for new Trustees.	Yes	The requirements to comply with the Ethics Policy and the Principles of Public Life are clearly set out in recruitment, appointment and induction documentation. The role of Council Member is unpaid.	Part	As above there is no overall Code of Conduct.	As above.
	79	The public body has adopted a Code of Conduct for staff. This is based on the Cabinet Office model Code.	Part	The Staff Handbook contains a Code of Conduct. It does not have a direct link to the Cabinet Office Code but it refers to the need for	Part	The Ethics Policy forms part of the Staff Handbook and includes the requirements of the Cabinet Office code. .	Part	The NMRN has a Behaviours and Values Statement and an Equal Opportunities and Dignity at Work Policy. There is	The NMRN should consider whether it needs to enhance current documentation to provide an overall

Conduct and behavior									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
				staff to be aware of the requirements set out in Managing Public Money and the Internal document on Code of Financial Practice.				however no overall Code of Conduct.	Code of Conduct for staff.
	80	All staff should be aware of the provisions of the Code. The Code should form part of the terms and conditions of employment.	Part	Contained in the Staff Handbook which is e-mailed to all staff upon commencement of employment. It states that "The provisions of this Code of Conduct do not form part of your terms and conditions of employment, but you are expected to be familiar with and abide by this Code. Any significant departure from the standards of conduct outlined in this Code may amount to misconduct and may render you liable to disciplinary action (including, in serious cases, dismissal)".	Part	The Ethics Policy forms part of the staff handbook. All staff are made aware of the requirements during their induction, but there is no direct link to T&Cs.	Part	As above there is no overall Code of Conduct.	All Museums should make an explicit reference to the need to comply with the Code of Conduct in Staff terms and conditions documentation.
	81	There are clear rules and procedures in place for managing conflicts of interest.	Yes	The Code of Conduct contained within the Staff Handbook makes reference to the need to avoid a conflict between outside activities and those of the RAFM. Directorships or management roles in any charity, business or voluntary organisation must be disclosed as well as any membership of secret societies.	Yes	The NAM has an Ethics Policy in place which refers to Conflicts of Interest. A Register of Business Interests is maintained as are gifts and hospitality registers for members and staff. The need to ensure that there are no conflicts of interest is a key theme of the Nomination form for Council members.	No	There is nothing specifically documented on Conflicts of Interest, although a Register of Interests is maintained.	The NMRN need to document guidance on Conflict of Interest for Board members and staff.

Conduct and behavior									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
	82	There is a publicly available Register of Interests for board members and senior staff. This is regularly updated.	Yes	A register of interests is held. There is a reference to this on the website and it is publicly available on request. The annual accounts record that Trustees are required to declare the fact that if they have an interest, pecuniary or otherwise, in any matter being considered by the Board. In this period no such interests were declared. A copy of the Register of Interests has also been provided and the minutes of the July 2015 Board record that the register was circulated for updating.	Part	The NAM has a Register of Interests for its members. This is referred to on the website but then has to be separately requested. Review of the register suggests that it is in need of update and that members are not having to confirm their status - i.e. there are blank pages for a number of members so they are not signing to confirm that this is correct	Yes	A Register of Interests is maintained for Trustees and Senior Managers. The Register is updated at least annually and all Trustees, Committee Members and the SMT are required to declare any interests including nil returns and there is evidence of declarations being checked and updated at Board meetings. It is not however publicly available.	The NAM need to ensure that the Register of Interests is updated annually - even if just a nil return. The NMRN should ensure that their Register of Interests is made publicly available.
	83	There are clear rules and guidelines in place on political activity for board members and staff. There are effective systems in place to ensure compliance with any restrictions.	No	The Code of Conduct contained within the Staff Handbook makes reference to the need to avoid a conflict between outside activities and those of the RAFM. There is however no specific wording in the code that applies to political activities	Part	See previous note re e-mail at election time and some reference to not using corporate funds or resource for political activities. The nomination form for Council members also includes a question on political activities which is in the format laid down by OCPA.	No	There is nothing specifically documented on this.	Although the Museums represent a low risk politically, there should be explicit guidance on rules relating to political lobbying and engagement and the systems required to ensure compliance.
	84	There are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement. These are effectively enforced.	No	There is nothing specific in the Staff Handbook on this. This is also the case at the other Museums and it is felt that the nature of the organisation results in this being a very low risk.	No	The risk to the NAM is deemed low and so there are no specific procedures with regard to this.	No	The risk to the NMRN is deemed low and so there are no specific procedures with regard to this.	Considered very low risk but the MOD should clarify whether this requirements should be complied with.

Conduct and behavior									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
		Leadership							
	85	Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Yes	The need to comply with the Principles of Public Life is reinforced through Charity Commission guidance, the Staff Handbook and Code of Conduct which set out a number of generic principles for the conduct of Board members and all staff and the latter refers separately to the Code of Financial Practice and HM Treasury "Managing Public Money. The induction pack provided to all new Board Members includes information from OCPA and the Charity Commission on the role of a Trustee.	Yes	The need to comply with the Principles of Public Life is reinforced throughout all documentation relating to the recruitment, appointment and induction of Board Members. The induction pack also includes information on Charity Commission guidance on the role of the Trustee. The Ethics Policy sets out the requirements for all staff.	Part	There is no overall Code of Conduct for the NMRN, although there are clear Behaviours and Value statements.	The NMRN needs to document a Code of Conduct

Ministerial Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
The Minister is ultimately accountable to Parliament and the public for the overall performance of the Museum.	86	The Minister and sponsoring department should exercise appropriate scrutiny and oversight of the public body.	Part	There is no direct relationship with the Minister. There is a partnering agreement in place between Air Command and the RAFM which is separate and complementary to the Financial Framework. This is dated 2010 and is acknowledged to be out of date. It sets some objectives	Part	There is no direct relationship with the Minister. The relationship is a light touch one with Army Command. Representation, albeit informal, is considered to be in place through having a retired 4* General as Chair of the Council. Army Command should attend Council Meetings but invitations and attendance	Part	There is no formal arrangement with the Minister to regularly meet. The arrangements with Navy Command include a quarterly review meeting and attendance at the Naval Heritage Strategic Steering Group with DIA attending Audit Committee meetings.	The roles and responsibilities of the Commands and the Museums need to be updated and agreed and documented in Financial Frameworks (and Partnering Agreement if considered beneficial)

Ministerial Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
				and KPIs to monitor progress. The copy provided is unsigned but it should be signed by ACS, the RAFM Chair and the Director General. The Board of Trustees is attended by Sir Baz North who is a serving RAF officer. He has no voting rights but is there to provide a link with current operations. Julie Micallef from Air Command attends the meetings of the Finance Committee. Air Command also run a Heritage Steering Group, which is chaired by Sir Baz, and which meets twice a year. Senior RAFM staff attend this meeting. Below this is a 1* meeting (RAF Heritage Aircraft and Museums Committee) which is attended by the Head of Collections on behalf of the RAFM. Sir Gerry Grimstone is a Trustee and Chair of the Audit and Risk Committee and he also sits on the Defence Board.		has been sporadic over the last year. They have no voting rights. According to the Guide to the Appointment of Members to Council, the Academy Sergeant Major from the Royal Military Academy at Sandhurst should be invited to Council meetings to maintain the link with the serving military. Army Command meet with Museum staff through the Army Heritage Committee, the Army Heritage Executive Committee, and the Army Museums Panel.			
	87	Appointments to the Board should be made in line with any statutory requirements and where appropriate, with the Code of Practice issued by the Commissioner for Public Appointments.	Yes	Appointments to the Board are made in line with the Code of Practice issued by OCPA.	Yes	Appointments to the Board are made in line with Charity Commission requirements, rather than the OCPA. However the appointments process is kept under continuous review to ensure that it responds to initiatives	Yes	Trustees are appointed in accordance with OCPA guidelines and the NMRN's Articles of Association.	

Ministerial Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
						made by OCPA, which promote best practice.			
	88	The Minister will normally appoint the Chair and all non-executive board members of the public body and be able to remove individuals whose performance or conduct is unsatisfactory.	Yes	Confirmed that the Minister approves the appointment of non-executive board members and that the Minister can also remove them from office.	No	The Minister does not appoint the Chair or any members. The appointments are made by the NAM but as a formality the Executive Committee of the Army Board approves the appointments made to Council, but does not influence them, the process being one of notification.	No	There is no ministerial involvement in the appointment of the Chair.	There is an inconsistency in approach and clarification should be sought on whether the Minister should be involved in the appointment of the Chair and Board Members.
	89	The Minister should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment.	Yes	The Minister signed off the appointment of the CEO	No	There was no ministerial involvement in the appointment of the Director General.	No	There was no ministerial involvement in the appointment of the Director General.	There is an inconsistency in approach and clarification should be sought on whether the Minister should be involved in the appointment of the CEO/Director General.
	90	The Minister should meet the Chair and/or Chief Executive on a regular basis.	No	There is no formal programme of meetings between the Minister and senior executives of the RAFM.	No	There is no regular programme of meetings with the Minister	No	There is no regular programme of meetings with the Minister	There should be at least an annual meeting between the Chair of each Museum and the Minister.
	91	"A range of appropriate controls and safeguards should be in place to ensure that the Minister is consulted on key issues and can be properly held to account. These will normally include: - a requirement for the	Part	There is a requirement to seek ministerial advice on a range of restricted activities (e.g. severance payments, losses and disposals) but further clarification is required on exactly what should be included.	Part	There is a requirement to seek ministerial advice on a range of restricted activities (e.g. severance payments, losses and disposals) but further clarification is required on exactly what should be included.	Part	There is a requirement to seek ministerial advice on a range of restricted activities (e.g. severance payments, losses and disposals) but further clarification is required on exactly what should be included.	Clarification is required on the exact circumstances when the Museums needs to contact the Department and/or Cabinet Office and these should be documented in the Financial Framework.

Ministerial Accountability									
Principle	Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations	
	<p>public body to consult the Minister on the corporate and/or operational business plan</p> <ul style="list-style-type: none"> - a requirement for the exercise of particular functions to be subject to guidance or approval from the Minister - a general or specific power of Ministerial direction over the public body - a requirement for the Minister to be consulted by the public body on key financial decisions. This should include proposals by the public body to acquire or dispose of land, property or other assets: form subsidiary companies or bodies corporate: and borrow money. - a power to require the production of information from the public body which is needed to answer satisfactorily for the public body's affairs." 								
92	There should be a requirement to inform Parliament of the activities of the public body through publication of an annual report.	Yes	The RAFM produce an annual report and accounts, and a separate annual review. The accounts and annual report record that they have been presented to Parliament.	Yes	The NAM produce an annual report and consolidated accounts and annual review. The accounts and annual report do not confirm that they have been presented to Parliament although they have been audited by the NAO and	Yes	The NMRN produce an annual report and accounts and an annual review. The accounts and annual report do not confirm that they have been presented to Parliament although they have been audited by the NAO and published.		

Ministerial Accountability									
Principle		Supporting Provisions	Comply	Explain	Comply	Explain	Comply	Explain	Recommendations
						published.			