



Ministry
of Defence



UK Hydrographic
Office

UK Hydrographic Office Framework Document

Updated March 2025

NOTE REGARDING THIS UPDATE (MARCH 2025)

Although a full update to the MOD-UKHO Framework Document would normally be due at this time (the Framework Document was last updated in February 2022), we will not undertake a full update until the outcomes of the Strategic Defence Review and Defence Reform have been confirmed. However, to ensure accuracy and transparency, we have updated facts and noted these in the table below.

No.	Section	Correction	Reason for correction
1	Section 2.1: Purpose of UKHO; and Section 8.7: Dividend policy	Deleted references to UKHO Corporate Plan 2021	The 2021 Corporate Plan is out-of-date. A new five-year corporate plan is due in spring 2025.
2	Section 3: Governance and Accountability	Deleted: <i>MOD UKHO performance and risk review</i>	Decision made by MOD Chief Operating Officer (COO) (July 2023) to replace performance and risk reviews with senior sponsor attendance at UKHO board twice per year.
3	Section 4.3: The sponsor	Deleted: <i>For UKHO, the sponsor role is fulfilled by the MOD Director for Sponsorship and Organisational Policy (DSOP).</i> Amended: <i>For UKHO, the sponsor role is fulfilled by the MOD COO, as the senior sponsor nominated by the PAO.</i>	DSOP has been absorbed into another MOD directorate and the Director DSOP role no longer exists. The UKHO sponsor role is fulfilled by the MOD COO, as the senior sponsor nominated by the Principal Accounting Officer (PAO).
4	Section 4.3: The sponsor	Inserted (after "...they also support the MOD's PAO in their responsibilities toward UKHO"): <i>The senior sponsor attends the UKHO board at least twice per year to ensure direct oversight of performance, risk and strategy.</i>	Decision made by MOD COO (July 2023) to replace performance and risk reviews (for all ALBs within portfolio) with senior sponsor attendance at UKHO board twice per year.
5	Section 5: MOD UKHO performance and risk review	Deleted whole section on performance and risk review	Decision made by MOD COO (July 2023) to replace performance and risk reviews (for all ALBs within portfolio) with senior sponsor

			attendance at UKHO board twice per year.
6	Section 5: UKHO board	Deleted: <i>UKHO deputy chief executive</i> Amended: <i>UKHO data acquisition director</i>	The National Hydrographer role used to be combined with the deputy chief executive role, as well as the data acquisition director role. Deputy chief executive role no longer exists (since July 2023).
7	Section 6.3: HMT Minute to Parliament; and Section 8.6 on financial targets	Deleted references to ROCE target	HMT agreed (May 2024) to replace ROCE target (Return on Capital Employed) with EBIT target (Earnings Before Interest and Taxes). Updated HMT Minute still to be issued.
8	Section 7.5: Procurement	Added reference to Procurement Act 2023	Procurement Act 2023 came into effect on 24 February 2025.
9	Section 8.12: Internal audit	Added reference to the Government Internal Audit Agency (GIAA) and deleted reference to MOD's Head of Internal Audit and other audit providers	GIAA now provides internal audit services to UKHO in line with government policy on internal audit provision.
10	Annex A: UKHO Public Task	Minor amendments	No substantive changes have been made to the Public Task. Minor amendments have been made to ensure factual accuracy, improve clarity, and reduce unnecessary verbiage.
11	Annex C: Governance arrangements for major business decisions and Cabinet Office controls	Amended to reflect changes to financial delegations and spend controls	Financial delegations and spend controls were revised in 2023 and 2024 respectively to align better with UKHO's status as a trading fund (with c.90% commercially generated revenue).

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1 INTRODUCTION

This Framework Document has been drawn up by the Ministry of Defence (MOD) in consultation with the United Kingdom Hydrographic Office (UKHO). It details the parameters within which UKHO is expected to operate; obligations which UKHO is expected to comply with; and the freedoms delegated to allow UKHO to manage its workforce, make its own decisions, and organise its business to ensure delivery of its strategic objectives efficiently and effectively, while ensuring value for money.

The Framework Document sets out agreed terms of the relationship between the MOD and UKHO, and how such a relationship will be conducted in accordance with the principles of *Partnerships between departments and arm's length bodies: Code of Good Practice* (Cabinet Office, 2017). The MOD and UKHO will have an open, transparent, honest and trust-based partnership supported by the principles of the code. As such, both parties will ensure that they clearly understand the strategic aims and objectives of each other. Both partners will also commit to keeping each other informed of any significant issues and concerns.

The Framework Document shall be reviewed at least every three years. The document does not convey any legal powers or legal responsibilities. Copies of this document and any subsequent amendments have been made available to members of the public on the UKHO page of GOV.UK.

Any issues regarding the interpretation of this document will be resolved by the MOD sponsorship team in consultation with UKHO or other government departments (OGDs), including Her Majesty's Treasury (HM Treasury) and/or the Cabinet Office, as necessary.

2 STATUS AND PURPOSE OF UKHO

UKHO is an executive agency and trading fund of the MOD. UKHO's activities are funded entirely from sales of hydrographic products and services to defence and commercial customers through an international network of distributors. It currently employs approximately 900 staff at its offices in Taunton. It has more than 225 years of experience in producing maritime navigational and other hydrographic products in paper and now predominantly digital formats for customers.

2.1 Purpose of UKHO

The purpose of UKHO is '*For safe, secure and thriving oceans*' (UKHO Corporate Plan).

UKHO is a world-leading centre for hydrography, specialising in maritime geospatial data that supports defence and global shipping, while helping customers and partners to unlock a deeper understanding of the world's oceans and coastal environments.

Activities range from the discharging of the UK's Coastal State obligations under the International Convention on the Safety of Life at Sea, by providing hydrographic services for waters of UK national responsibility, to providing hydrographic services to commercial customers – while also delivering a financial return to the MOD. UKHO also advises the UK Government on hydrographic policy matters and represents the UK at international fora, including the International Hydrographic Organization.

UKHO's priorities and strategic objectives are agreed by the responsible minister and reviewed regularly. UKHO helps to ensure that current and potential future military tasks are supported by high-quality hydrographic information, products and services, and to drive down the costs to the MOD of this support. UKHO also helps to deliver value to the

UK taxpayer in the products and services it provides, by using its assets and capabilities for the benefit of government, the economy, the environment and society in general.

2.2 Admiralty Holdings Limited and subsidiary companies

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

AHL is operated on the responsible minister's behalf by UKHO. The governance, policy and financial arrangements that apply are summarised in this document.

3 GOVERNANCE AND ACCOUNTABILITY

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

The governance arrangements centre on the following key roles:

- Responsible minister;
- Principal Accounting Officer (PAO);
- MOD sponsor;
- UKHO chief executive as UKHO's accounting officer;
- UKHO chair;
- UKHO non-executive directors (NEDs).

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

- UKHO board;
- UKHO board sub- and advisory committees;
- UKHO executive committee (executive leadership team);
- Admiralty Holdings board.

The work of the individuals in these key roles, and of all UKHO staff, is governed by statute and by governance documents, which include:

- Government Trading Funds Act 1973;
- Hydrographic Office Trading Fund Order 1996;
- HM Treasury's Minute to Parliament on the UKHO Trading Fund;
- MOD's UKHO Framework Document.

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

- Five-year corporate plan and
- Annual business plan.

Additionally, important business decisions which affect the strategic direction of UKHO, have significant financial implications or exceed UKHO's financial delegations (see Annex C), must be set out in a business case submitted to the MOD for appropriate consultation and approval.

UKHO's strategic direction and outputs will be guided by its obligation to deliver a financial return to the taxpayer by providing hydrographic data, information and services to commercial customers while meeting the demands of its primary MOD and OGD customers including:

- Chief of Defence Intelligence;
- Fleet Commander, Royal Navy (Principal User);
- Chief executive of the Maritime and Coastguard Agency;
- OGDs.

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

- UKHO Service Level Agreements with the MOD and UK OGDs;
- Distributor agreements with its commercial customers;
- Memoranda of Understanding and Bilateral Arrangements with other national governments and hydrographic offices.

Ultimately, the UKHO chief executive is personally accountable to the responsible minister for UKHO's performance.

Each of the key MOD roles, committees and governance documents is described in sections 4 to 5 below. UKHO's relationship with external stakeholders is set out in section 7, which describes the wider policy framework within which UKHO operates.

4 KEY ROLES

4.1 Ministerial responsibility

The Secretary of State for Defence is ultimately accountable to Parliament for UKHO's performance. They nominate a 'responsible minister' to manage this accountability on their behalf. In the case of UKHO, the Minister of State in the House of Lords is the responsible minister. The responsible minister does not get involved in the day-to-day governance matters of UKHO. However, they do have control over the strategic aims and direction of the organisation. While the chair and chief executive have a standing right of access to the responsible minister, they generally refer issues to the sponsor in the first instance, and then the relevant permanent secretary. The responsible minister:

- Approves UKHO's corporate plan and annual business plan, which includes UKHO's strategic objectives and annual financial and performance targets;
- Delegates the approval of the appointment of the non-executive chair and all other NEDs to the MOD Chief Operating Officer (COO), with the responsible minister being informed of all public appointments as they are made;
- Accounts for UKHO's business in Parliament, by answering parliamentary questions and responding to ministerial correspondence.

4.2 Principal Accounting Officer

The relevant MOD permanent secretary is the department's Principal Accounting Officer (PAO). They are responsible for the overall operation of the MOD and its arm's length bodies, in accordance with HM Treasury's *Managing Public Money*. They sponsor the aims of MOD's arm's length bodies in central government, including UKHO. Specific responsibilities include:

- Advising the minister on:
 - an appropriate framework of objectives and targets for UKHO, in the light of the MOD's wider strategic aims and priorities;
 - an appropriate allocation of departmental resources for UKHO, in the light of the MOD's overall public expenditure priorities; and
 - how well UKHO is achieving its strategic objectives and whether it is delivering value for money.
- Ensuring arrangements are in place to:
 - monitor UKHO's activities;
 - address significant problems in UKHO, making interventions as necessary;
 - periodically carry out an assessment of the risks both to the MOD and UKHO of its objectives and activities;
 - inform UKHO of relevant government policy in a timely manner; and
 - bring concerns about the activities of UKHO to the UKHO board, and, as appropriate, to the Defence board, with explanations and assurances that appropriate action has been taken.

4.3 The sponsor

For most arm's length bodies, including UKHO, the relevant permanent secretary selects a sponsor to act on their behalf. For UKHO, the sponsor role is fulfilled by the MOD COO, as the senior sponsor nominated by the PAO. The sponsor is primarily responsible for managing the interface between the MOD and UKHO, in terms of UKHO's effective corporate performance, and for championing UKHO's aims and impact. They are the main source of advice to the responsible minister on the discharge of their responsibilities in respect of UKHO, and they also support the MOD's PAO in their responsibilities toward UKHO. The senior sponsor attends the UKHO board at least twice per year to ensure direct oversight of performance, risk and strategy. The sponsor is responsible for:

- on behalf of the relevant permanent secretary, holding the chief executive to account for delivery of the UKHO corporate plan and annual business plan, the objectives and targets within them, and UKHO's efficient, safe and effective operation, in line with agreed policy constraints and delegations;
- on behalf of the relevant permanent secretary, holding the chair to account for leadership of the board and the board's effectiveness;
- on behalf of the responsible minister, holding the chair and chief executive to account for support required by the minister in their ministerial duties or in relation to their parliamentary accountability;
- endorsing the UKHO corporate plan and annual business plan ahead of approval by the responsible minister;
- delegating authority to the chief executive towards the achievement of UKHO objectives;
- providing advice and support to the chief executive and chair, and providing their link into the MOD and wider government;

- representing the MOD's interests in UKHO at boards and decision-making fora;
- promoting policies and change within the MOD that would support UKHO in delivering its objectives;
- monitoring UKHO's compliance with the government's functional leadership strategy and defence policy in delivery of its business.

All submissions from UKHO to the responsible minister are copied to the sponsor. The MOD sponsorship team provides day-to-day support to the sponsor and UKHO.

Any disputes between the MOD and UKHO will be resolved in as timely a manner as possible. The MOD and UKHO will seek to resolve any disputes through an informal process in the first instance. If this is not possible, then a formal process, overseen by the sponsor, will be used to resolve the issue. Failing this, the sponsor will ask the relevant policy director general to oversee the dispute. They may then choose to ask the permanent secretary to nominate a non-executive member of the Defence board to review the dispute, mediate with both sides and reach an outcome, in consultation with the Secretary of State.

4.4 UKHO chief executive as UKHO's accounting officer

HM Treasury's permanent secretary appoints the UKHO chief executive as accounting officer (AO) for the trading fund. This confers the responsibility for ensuring that the requirements of *Managing Public Money* are met and that proper procedures are followed for securing regularity, propriety, value for money and feasibility in the handling of the public funds administered by UKHO.

To discharge these responsibilities, the chief executive has delegated authority from the relevant permanent secretary. The chief executive also has to ensure that UKHO adheres to the Civil Service Code and the MOD's policies on safety, health and environmental protection, sustainable development and security.

The MOD COO is the line manager of the UKHO chief executive. As line manager, the MOD COO appoints the chief executive, following fair and open competition, taking into account advice from the UKHO chair, and keeping the responsible minister informed during the appointment process.

The chief executive has a standing right of access to the sponsor, the relevant permanent secretary and the responsible minister.

Particular responsibilities of the UKHO's chief executive include:

- Establishing the UKHO corporate plan and annual business plan, in agreement with the MOD;
- Informing the MOD of progress against objectives and risks to their delivery, and demonstrating how resources are being used to achieve objectives;
- Developing appropriate internal strategies and policies, new products and services;
- Improving business processes, and maintaining effective and efficient management systems;
- Advising the UKHO board on UKHO's performance against objectives, risks and forecasts;

- Advising the UKHO board on UKHO's compliance with MOD, HM Treasury and Cabinet Office rules and policies;
- Taking action as set out in paragraph 3.8.6 of *Managing Public Money*, if the board, or the UKHO chair, is contemplating a course of action involving a transaction which the chief executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

Specific accountabilities to Parliament of UKHO's AO include:

- Signing the UKHO Annual Report and Accounts (ARA) and Governance Statement, ensuring that proper records are kept and that accounts are properly prepared;
- Ensuring that effective procedures for handling complaints about UKHO are established and widely communicated;
- Acting in accordance with *Managing Public Money*, this Framework Document and other instructions and policy as issued by the MOD, HM Treasury and the Cabinet Office;
- Giving evidence, normally with the MOD's PAO, when summoned before the Public Accounts Committee.

4.5 The UKHO chair

The chair is accountable to the relevant permanent secretary, via the sponsor, for leading the UKHO board and ensuring its effectiveness in all aspects of its role. They are accountable to the responsible minister for any support required in their ministerial duties and parliamentary business, and in conjunction with the chief executive, ensuring the minister is informed to enable them to discharge their responsibilities. The chair has a standing right of access to the sponsor, the relevant permanent secretary and the responsible minister.

The chair is appointed by the MOD COO for a fixed term, normally up to three years, following a process of open and fair competition managed by the MOD and based on the principles of the [Governance Code on Public Appointments](#). The chair may be reappointed for a further term, subject to meeting required performance standards, but the total appointment should not normally exceed six years. The performance of the chair is assessed annually by the sponsor. The chair is specifically responsible for:

- Setting the board's forward agenda;
- Leading the board in ensuring that its culture, procedures and standards result in its effective operation;
- Ensuring that the board takes account of MOD and wider government policies, rules and guidance;
- Ensuring the effectiveness of the board is reviewed annually, in consultation with the chief executive;
- Ensuring the board has an appropriate balance of skills, and board members are fully briefed in terms of their duties and responsibilities;
- Leading the selection process for independent NEDs, and assessing the performance of NEDs annually.

In the event that the chair, with the agreement of the board, believes that the chief executive may not be delivering on their AO responsibilities, the chair will seek to remedy this in discussion first with the chief executive, and then escalate, as necessary, to the MOD Sponsor NED on the UKHO board, followed by the sponsor through to the relevant permanent secretary and the responsible minister.

4.6 UKHO NEDs

Public appointments to the UKHO board are non-regulated (i.e. not on the Public Appointments Order in Council). However, appointments will, in principle, be made in accordance with the *Governance Code on Public Appointments*. The responsible minister has delegated the decision-making on all non-executive appointments to the MOD COO, as the Approving Authority. All public appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint boards which include a balance of skills and backgrounds.

Working with the MOD sponsorship team and supported by the UKHO governance team, the UKHO chair leads the selection process for independent NEDs, based on open and fair competition, and agreed by the MOD COO. Appointments are normally for a fixed term of up to three years which may be extended for a further term up to a maximum of six years, subject to NEDs meeting required performance standards, including their ability to continue to provide diverse and dissenting views in support of reasonable challenge. The selection panel for NED recruitment should include at least one member representing the MOD.

The chair will agree with individual NEDs what wider functions they will discharge and what activities they will undertake to extract maximum value from their experience, support UKHO and ensure their familiarity with its operations and relationships. The performance of the NEDs is assessed annually by the chair.

The sponsor appoints a senior civil servant to be the MOD Sponsor NED on the UKHO board to provide a direct link to the MOD and represent the MOD as “shareholder”, as well as to support the sponsor in identifying where they need to ask more questions and probe more deeply into UKHO’s performance. The MOD Sponsor NED is consulted on matters that have consequences for the wider department or government, and will also advise the sponsor on the strategic direction and performance of UKHO and the effectiveness of the chair. There is also a MOD Customer NED on the UKHO board to represent UKHO’s defence customers.

5 KEY BOARDS AND COMMITTEES

The UKHO board exercises strategic oversight of UKHO in the delivery of its objectives. The scope of the board’s support and challenge will include to:

- provide a forum for independent, non-executive support and reasonable challenge to the UKHO chief executive and executive directors;
- review and endorse the corporate plan, annual business plans and investment proposals above the delegation of the chief executive before submission to the MOD;
- monitor performance and outputs against plans and forecasts;
- ensure that UKHO is operating in compliance with relevant policies and standards.

The board comprises:

- Independent non-executive chair;
- Independent NEDs (the role of the NEDs is to provide expert advice, guidance and challenge to the UKHO executive team);
- MOD Sponsor NED;
- MOD Customer NED;
- UKHO chief executive;
- UKHO data acquisition director/National Hydrographer;
- UKHO finance and corporate services director.

Executive members of the board are agreed between the chair and chief executive in consultation with the sponsorship team. The members of the UKHO board will comply with the [Code of Conduct for Board Members of Public Bodies](#) for board members of public bodies.

The effectiveness of the board and its sub-committees will be assessed annually by the chair (or relevant sub-committee chair). At least every three years, the review will be facilitated by an independent party contracted for the purpose by UKHO. The board is supported by the Audit and Risk Assurance Committee (ARAC) and the Remuneration and Nominations Committee (REMNCO), each chaired by a NED.

Any deficiencies in the board's performance or composition, or of its sub-committees, will be addressed by the chair (or relevant sub-committee chair).

The performance of the independent chair and the independent NEDs will be assessed annually to consider if each continues to demonstrate appropriate commitment to the role (including commitment of time for board and committee meetings and other duties), and contributes effectively, including measurement against:

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

The performance of the chair will be assessed by the sponsor, and the chair will assess the performance of the independent NEDs. The assessments will be formally documented and will be required for any re-appointments.

6 KEY GOVERNANCE AND OTHER DOCUMENTS

6.1 Government Trading Funds Act 1973

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

The Act lays down the fundamental principles of a trading fund, including the personal accountability of the chief executive; the opportunity for revenues over and above the operating costs to be retained by the Fund for reinvestment in subsequent years; the requirement to deliver a return on the capital invested by the parent department; and the requirement that separate annual reports and accounts are prepared and published. A copy of the Act is available [online](#).

6.2 Hydrographic Office Trading Fund Order 1996

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

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

A copy of the Order is at Annex B and is also available [online](#). Substantial changes to the scope of activities undertaken by a trading fund will require a new Order.

6.3 HM Treasury's Minute to Parliament

UKHO's key financial objectives are determined by HM Treasury in agreement with the sponsorship team and made known to Parliament by a Minute.

6.4 Chief executive's Accounting Officer Letter of Appointment

In accordance with section 4(6) of the Government Trading Fund Act 1973, the UKHO chief executive is appointed as accounting officer by the HM Treasury permanent secretary. The letter is issued on the appointment of the chief executive.

6.5 Chief executive's Letter of Authority

The Letter of Authority from the MOD permanent secretary complements the UKHO chief executive's formal appointment as accounting officer. It delegates the responsibility for ensuring the effective, efficient and proper conduct of UKHO business in accordance with ministerial direction, requiring that they set demanding priorities aimed at improving performance and give full consideration to the potential parliamentary, political, policy, and presentational aspects of all proposals and to the interests of other government departments, consulting as needed with the appropriate policy staff and ministers.

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

6.6 UKHO corporate plan and annual business plan

UKHO will prepare a corporate plan at least every three years, to cover a period of three to five years. Underpinning the corporate plan, UKHO will produce a detailed annual business plan for the financial year ahead. The contents of the corporate and business plans should follow [Managing Public Money](#) and any supporting guidance provided by the MOD sponsorship team.

In preparing the corporate plan and annual business plan, UKHO shall agree with the UKHO board and the MOD sponsorship team the issues to be addressed in the plans.

The corporate plan shall include UKHO's objectives and shall demonstrate how UKHO contributes to the achievement of the MOD's priorities. In addition, it will also encompass:

- the strategy for delivering UKHO's purpose, vision and public task;
- the main activities and investments that will deliver the strategy;
- how success will be measured and key performance indicators to help track delivery against objectives and milestones;
- the wider context, including underpinning assumptions and dependencies;
- an overview of UKHO's resources to deliver the plan.

The annual business plan expands on the first year of the corporate plan and provides more details on performance and financial targets, as well as a detailed resource plan.

Individual business decisions flowing from the assumptions contained in the corporate plan and / or business plan will be subject to the finance and control framework at Annex C.

Following endorsement by the UKHO board, the corporate and business plans are submitted to the MOD sponsor for endorsement and then the responsible minister for approval.

The UKHO board will confirm annually that the corporate plan and the annual business plan are consistent, and that no changes are required to the corporate plan before the end of the three-year period. If the annual business plan leads to material changes to the corporate plan before three years have elapsed, the corporate plan must be amended as needed, endorsed by the UKHO board and then the MOD sponsor, and approved by the responsible minister.

As the corporate plan and business plan contain commercially sensitive information, they are not published in full. However, a digest of the corporate plan will be made available to all UKHO staff and on the UKHO page of GOV.UK.

6.7 UKHO Service Level Agreements

UKHO will provide hydrographic data products and services to its defence and government customers in accordance with the Customer Supplier Agreement (CSA) and Service Definition Annex. The UKHO as a trading fund is a constituent part of the MOD, responsible to the Secretary of State for Defence. It is therefore not possible for the MOD and the UKHO to enter into a legally binding relationship or "contract". However, for simplicity and to ensure effective management of the CSA, work undertaken by the UKHO under the terms of this agreement will be managed in a similar way to a traditional contract.

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

6.8 UKHO commercial agreements

UKHO sells its commercial products and services through a worldwide channel of independent distributors and technical solution providers. The terms within which the UKHO carries out business with its commercial channel are laid out in legally binding agreements.

6.9 Arrangements with other governments and information suppliers

UKHO maintains bilateral arrangements with the governments of other nations for the supply of hydrographic survey data and other information that it uses in the compilation of standard and electronic navigational charts and other publications and data products.

6.10 Annual Report and Accounts

The UKHO chief executive is required to prepare an annual report, together with a statement of accounts, in accordance with the relevant guidance from HM Treasury and the National Audit Office (NAO), and it must comply with: HM Treasury's [Financial Reporting Manual](#) (FreM); *Managing Public Money*; HM Treasury's *Fees and Charges Guide*, and relevant Public Expenditure System instructions.

The ARA is endorsed by the ARAC and the board. The financial statements are audited by the NAO, and a certificate is included in the ARA. The specific timetable for preparing the ARA shall be agreed with the ARAC and the board each year. The ARA will be submitted to the Comptroller and Auditor General (C&AG). The ARA is presented to Parliament and is available on the UKHO page of GOV.UK.

6.11 Governance arrangements of Admiralty Holdings Ltd, its subsidiaries and any joint ventures

The governance arrangements for the UKHO subsidiaries and joint ventures operating under the AHL umbrella will be set out, if appropriate, in a separate control. AHL is wholly owned by the Secretary of State for Defence.

The UKHO chief executive is accountable for the performance of AHL and any subsidiaries and joint ventures operated by it in which the responsible minister has a formal financial interest, and for the rigour and overall effectiveness of their governance arrangements. They will be supported in this role by the Admiralty Holdings board, which will comprise members of the UKHO board.

Initiation of any new AHL business enterprise must be in support of UKHO's approved strategic objectives. In establishing any new enterprises, UKHO will seek guidance from UK Government Investments (UKGI). Establishment or disposal of enterprises will require approval from the responsible minister, based on advice from the MOD sponsor and in accordance with Cabinet Office and HM Treasury policy.

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

The accounts of AHL and its subsidiaries will be consolidated with the accounts of UKHO if deemed to be material and with agreement of the C&AG. Consolidation is made under the guidance provided in [International Accounting Standard 27: Consolidated and Separate Financial Statements](#), on the basis that, despite not having a direct investment interest in AHL, the UKHO board is capable of exercising and exercises dominant influence over the

activities of the corporate group through majority control of the board of directors of AHL and its subsidiary undertakings.

7 POLICY FRAMEWORK

As part of the MOD and wider government, UKHO is bound by certain policies and standards, the main elements of which are set out in this section.

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

7.1 Parliamentary accountability

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

The PAO is accountable in respect of the MOD account. Accordingly, a select committee may choose to invite the PAO and/or policy officials with representatives of UKHO to give evidence together. All departmental staff are subject to Cabinet Office's guidance on giving evidence to a select committee.

As AO, the chief executive is directly responsible to Parliament for the stewardship of UKHO's resources. Where a select committee wishes to take evidence on matters assigned to UKHO, it will normally fall to the chief executive to give evidence.

Parliamentary Questions and other enquiries about UKHO from Members of Parliament, Members of the National Assembly for Wales, the Northern Ireland Assembly and the Scottish Parliament are answered by Min(Lords) (as the responsible minister for UKHO). Min(Lords) may ask the chief executive to reply directly to other correspondence and about issues delegated to them.

7.2 Information rights and management

The chief executive is responsible to the SofS for Defence for complying with the requirements of the Freedom of Information Act (FOI), the Environmental Information Regulations, the General Data Protection Regulations (GDPR), and the Infrastructure for Spatial Information in the European Community (INSPIRE) Regulations. The chief executive will ensure that adequate resources, appropriate structures, policies and processes are in place to enable the MOD to meet its statutory information rights obligations in respect of information held by UKHO or related to its activities. Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

7.3 Government and external stakeholders

7.3.1 HM Treasury

The UKHO will operate in accordance with HM Treasury guidance to government departments and trading funds, unless specific exemptions have been agreed with the MOD and HM Treasury.

7.3.2 Cabinet Office

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

7.3.3 Department for Transport and Maritime and Coastguard Agency (MCA)

The UKHO acts in support of the Department for Transport shipping safety policies by contributing to the MCA's objectives. It will support the MCA in its role as the authority responsible for the UK's discharge of its UN SOLAS Convention obligations, as set out in the UKHO's strategic objectives.

7.3.4 Scotland, Wales and Northern Ireland

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

7.3.5 International partnering and external engagement

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

7.3.6 Members of the public

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

7.4 Delegations

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

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

In addition to the chief executive, the National Hydrographer has authority to sign bilateral arrangements with other national hydrographic officers.

7.5 Procurement

The UKHO shall ensure that its procurement policies are aligned with and comply with any relevant UK or other international procurement rules, including the [Procurement Act 2023](#). The UKHO shall establish its procurement policies and document these.

In procurement cases where the UKHO is likely to exceed its delegated authority limit, procurement strategy approval for the specific planned purchase must be sought from the MOD.

Goods, services, and works should be acquired by competition. Proposals to let single-tender or restricted contracts shall be limited and exceptional, and a quarterly report explaining those exceptions should be sent to the MOD.

Procurement by the UKHO of works, equipment, goods, and services shall be based on a full options appraisal and value for money (VfM), i.e. the optimum combination of whole life costs and quality (fitness for purpose).

The UKHO shall a) engage fully with MOD and government-wide initiatives that seek to achieve value for money from collaborative projects, b) comply with all relevant Procurement Policy Notes issued by the Cabinet Office and c) co-operate fully with initiatives to improve the availability of procurement data to facilitate the achievement of VfM.

The UKHO shall comply with the government's commercial and grants functional standard. This applies to the planning, delivery, and management of government commercial activity, including management of grants in all departments, regardless of commercial approach used, and form part of a suite of functional standards that set expectations for management within government.

7.6 Health and safety, environmental protection and sustainability

UKHO will maintain comprehensive policies in relation to its health and safety requirements in conformance with statutory regulation and MOD's Joint Service Publications 375.

UKHO will incorporate sustainable development principles in all its strategies, policies, processes and associated programmes, projects and activities, as stipulated in the MOD's policy.

7.7 Security

The UKHO chief executive has delegated authority, as the Security Risk Owner, for the security of defence activities conducted at UKHO. They are responsible for ensuring appropriate personnel and processes are put in place to manage and advise on the security risk and will appoint the following roles:

- a Senior Security Risk Coordinator, at director level, who is to identify and evaluate security risks to information, systems, and processes owned by the Security Risk Owner.

- a Chief Information Security Officer, at director level, who is UKHO's senior cyber and information security specialist, who advises on all aspects of cyber and information security.
- a Principal Security Advisor, who is UKHO's senior security specialist, reporting to the Senior Security Risk Coordinator, who advises on all aspects of corporate security.

7.8 UKHO's responsibilities under Competition Law

In competing with other organisations in order to maximise revenue from commercial activities, the UKHO will ensure that it is – and is seen to be – fully compliant with competition (anti-trust) legislation. Processes will be in place to ensure that there is no cross-subsidy between products and services delivered under UKHO's strategic objectives.

7.9 Intellectual Property (IP) (excluding Crown Copyright)

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

7.10 Customer complaints

UKHO should comply with MOD and government guidance on dealing with complaints. Any external complaints or concerns can be raised by telephone, email, the *contact us* form on the [ADMIRALTY](#) website or by post.

7.11 Quality assurance

For the consistent provision of products and services which conform to applicable standards and meet customer requirements, UKHO will maintain accreditation under ISO 9001 (Quality Management Systems). This process-based approach uses risk-based thinking and continuous improvement to ensure effective planning, operation and control of business processes, and thereby provides assurance that UKHO continues to maintain the highest quality and accuracy associated with the ADMIRALTY brand.

7.12 Reporting on legal risk and litigation

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

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

- material developments in the litigation are communicated to the sponsorship team in an appropriate and timely manner;
- legally privileged documents and information are clearly marked as such;

- individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege; and
- circulation of privileged information within government occurs only as necessary.

8 FINANCE AND CONTROL FRAMEWORK

In general, the UKHO chief executive may exercise the full financial authority delegated to the MOD by HM Treasury. This authority, which may be sub-delegated to suitably qualified members of staff, will be exercised in accordance with HM Treasury guidance including *Managing Public Money*. The inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal MOD approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed.

Any expenditure which is novel, contentious or repercussive, or in some other way at odds with HM Treasury guidance, will require approval by both the MOD and, where appropriate, HM Treasury, irrespective of size. The UKHO chief executive is expected to consult MOD finance staff before approaching HM Treasury on matters of financial principle, as distinct from individual casework.

8.1 Business model

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

Hydrographic survey and other data for UK and international waters are obtained through arrangements and contracts with a wide variety of bodies nationally, including the Royal Navy and the MCA, and internationally, notably from the hydrographic offices, navies and geospatial agencies of other nations. In order to support its wider market aspirations, the UKHO will (subject to appropriate due diligence review) increasingly seek to source data from a wider range of partners. The UKHO will then process and provide access to and add value to this data, from seabed to surface. This is key to helping others make the best use of the world's vital maritime environments in safer, more secure and more sustainable ways.

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

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

For products and services provided to commercial customers, UKHO will set its prices at market rates in line with *Managing Public Money* and competition law.

8.2 Major decision-making

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

8.3 Capital structure

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

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

8.4 Loan funding

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

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

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

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

8.5 Income and expenditure

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

8.6 Financial targets

The MOD, with the concurrence of HM Treasury, will set financial targets which include a target for Earnings Before Interest and Taxes (EBIT). These targets will be set out in the UKHO's corporate and business plans (endorsed by the UKHO board and approved by MOD ministers).

8.7 Dividend policy

Unless specifically agreed otherwise, UKHO will provide dividends to the MOD of at least equivalent to £12.5m for the duration of the corporate plan. The MOD also has the right to seek additional special dividend payments where it is judged that the cash position and business circumstances of the UKHO so permit.

8.8 Retained earnings

UKHO may reinvest retained earnings in the business in line with its corporate plan, subject to the delegations set out in Annex C and para 8.7 above.

8.9 Assets

The UKHO retains, maintains and renews only the assets it needs for its business and disposes of any surplus land, buildings, plant and equipment to improve economy in its

operations. Any proposals to alter significantly the assets held by the UKHO will be considered during the corporate planning process and endorsed by the UKHO Board and approved by the responsible minister. Appraisals for all major investments will be undertaken in accordance with HM Treasury guidance.

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

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

8.10 Professional and other liabilities

The UKHO is responsible for all estate asset liabilities.

8.11 Capital investment

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

8.12 Internal audit

The chief executive will ensure that UKHO systems and procedures are subject to regular audit in accordance with government guidance. The Government Internal Audit Agency (GIAA) will provide internal audit services to the UKHO.

The UKHO chief executive and the ARAC are responsible for commissioning such internal audit services and studies as may be required to ensure proper and efficient management of the UKHO's affairs. The chief executive is required to discharge their responsibilities as AO in a manner that best demonstrates value-for-money and in accordance with the Public Sector Internal Audit Standards. The internal audit arrangements will be subject to independent review by GIAA. A GIAA representative will attend UKHO ARAC meetings.

8.13 Risk management

The UKHO operates risk management processes at all levels, from strategic risks through to project delivery risks. It has governance structures, processes and activities in place to manage its risks. UKHO's risk management policy is aligned to the MOD risk management framework. The ARAC reviews the risk management policy and assesses the adequacy and integrity of risk management, governance and internal controls within all key processes in relation to risk identification, assessment, response and monitoring, and promoting their improvement. All employees have access to the risk management policy and guidance on identifying and mitigating risk. This sets out clear accountabilities and a structured process for identifying, accessing, communicating and managing risk.

8.14 Counter fraud and theft

The UKHO should adopt and implement policies and practices to safeguard itself against fraud and theft. The UKHO should act in line with guidance as issued by the Counter Fraud

Function and in compliance with the procedures and considerations as set in in *Managing Public Money* Annex 4.9 and the [Counter Fraud Functional Standard 13](#). It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract or to provide a grant or grant-in-aid.

The UKHO should keep records of and prepare and forward to the MOD an annual report on fraud and theft suffered by the UKHO and notify the MOD of any unusual or major incidents as soon as possible. The UKHO should also report detected loss from fraud, bribery, corruption and error, alongside associated recoveries and prevented losses, to the counter fraud centre of expertise in line with the agreed government definitions as set out in Counter Fraud Functional Standard.

8.15 Subsidiaries and joint ventures

UKHO's board must satisfy itself as to the rigour and overall effectiveness of the governance arrangements for any companies administered by UKHO on behalf of the responsible minister, which may include subsidiaries, joint ventures or other enterprises. To that end, any new business enterprise administered by UKHO will require approval from the responsible minister. The governance arrangements for UKHO's subsidiary, AHL, are set out in section 2.2.

9 HUMAN RESOURCES (HR) FRAMEWORK

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

9.1 Status of staff and conditions of service

The UKHO's civilian staff are Crown employees and subject to the provisions of the [Civil Service Management Code](#) and any relevant Cabinet Office instructions and guidance. For day-to-day management of staff, the UKHO operates as a discrete body within the MOD.

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

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

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

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

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

The terms and conditions of the UKHO chair and independent NEDs on the UKHO board are determined by the MOD and set out in their individual appointment contracts. Whilst they will be paid by UKHO, they are not civil servants or UKHO employees.

9.2 Staff recruitment and retention

The UKHO chief executive will maintain the optimum balance of civilian, military and contractor staff on permanent and fixed-term appointments to ensure the most effective and efficient delivery of UKHO's tasks and its products and services. The chief executive has delegated authority to manage the UKHO's staff complement up to the level of the SCS and to recruit to fill vacant posts directly, determining their tenure and other conditions of appointment. Any changes to the total staff complement should take into account MOD and wider government constraints on public sector employment and may require external justification, agreement or reporting.

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

UKHO supports the MOD's achievement of government targets for apprenticeships, as set out in the Enterprise Act and Apprenticeships, Skills, Children and Learning Act.

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

9.3 Staff conduct and discipline

All UKHO staff will be expected to comply with the [Civil Service Code](#) and its standards of integrity, honesty, objectivity and impartiality.

The UKHO chief executive will ensure that civilian disciplinary and cases of poor performance are handled in accordance with MOD and UKHO guidelines. They will have full powers in matters relating to the conduct and discipline of employees, which include dismissal, demotion, loss of seniority, loss of pay, reprimands and postings. UKHO has a grievance policy in place that is available to all staff.

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

9.4 Employee relations and Trade Unions

The chief executive will ensure that staff are fully consulted about any proposed changes to terms and conditions of service. UKHO will engage openly and constructively with recognised Trade Unions in discussing proposals for changes affecting UKHO staff, and has its own Employee Relations Framework Agreement. However, any decisions around recognition or derecognition of Trade Unions remain with the MOD Civilian Employee Relations Team.

9.5 Whistleblowing

UKHO has a whistleblowing and raising a concern process which outlines what UKHO staff should do when reporting perceived wrongdoing or malpractice within the organisation, including something they believe goes against the core values of the Civil Service Code. The Whistleblowing and Raising a Concern process has been written in accordance with the process set out in the Civil Service Management Code and follows that of the MOD Whistleblowing and Raising Concern process.

9.6 Diversity and inclusion

The chief executive will promote best practice in the area of diversity and inclusion. At a minimum, they will ensure compliance with all applicable legislation and MOD's Diversity and Inclusion policy. They will ensure that UKHO's staff are provided with a working environment free from discrimination and harassment.

9.7 Welfare

The chief executive will ensure the welfare of UKHO's staff and contractors and any visitors to UKHO's sites, ensuring compliance with statutory requirements and, where not delegated, MOD policy.

It will support staff who are required to work overseas, including providing healthcare and emergency assistance if required and complying with applicable MOD procedures and standards.

ANNEXES

- A. UKHO Public Task
- B. (i) UKHO Trading Fund Order and (ii) Treasury Minute
- C. Governance arrangements for major business decisions and Cabinet Office controls

Annex A - UKHO Public Task

The UK Hydrographic Office's Public Task is:

a. Support UK defence, security, development and foreign policy

Provide UK government defence and security customers with the hydrographic, oceanographic, geophysical and astronomical data, products, services and advice which they require to operate globally in safeguarding UK national security, protecting the nation's interests and generating strategic advantage.

b. Satisfy those Safety of Life at Sea (SOLAS) obligations delegated to UKHO

Source, manage and deliver the hydrographic, oceanographic, geophysical, astronomical and regulatory data required, or specified in international maritime obligations on the UK, to maintain and improve maritime safety, protect the marine environment and support maritime trade. This includes the timely preparation, issue and updating of charts and publications necessary for safe navigation in all waters of UK national responsibility insofar as they are navigable by vessels subject to the International Convention for Safety of Life at Sea or the Merchant Shipping (Safety of Navigation) Regulations, together with the provision of the Radio Navigational Warnings service for UK waters, as delegated by the Maritime and Coastguard Agency (MCA) as the policy holders and regulator under the relevant legislation.

c. Represent and advise the UK government

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

d. Fulfil other legal obligations which fall to UKHO as a public body

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

Annex B – (i) UKHO Trading Fund Order and (ii) Treasury Minute

B(i) The Hydrographic Office Trading Fund Order 1996

STATUTORY INSTRUMENTS

1996 No. 773

GOVERNMENT TRADING FUNDS

The Hydrographic Office Trading Fund Order 1996

<i>Made</i>	<i>8th March 1996</i>
<i>Coming into force</i>	<i>1st April 1996</i>

Whereas:

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

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

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

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

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

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

Citation and commencement

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

Establishment of the fund

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

Source of loans

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

Assets, liabilities, reserves and public dividend capital

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

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

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

Maximum borrowing etc.

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

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

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

Michael Portillo

Secretary of State for Defence

6th March 1996

We concur

Simon Buras

Bowen Wells

Two of the Lords Commissioners of Her Majesty's Treasury

8th March 1996

Article 2

SCHEDULE 1

FUNDED OPERATIONS

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

- (a) the provision of hydrographic, oceanographic, geophysical and associated goods and services to the Ministry of Defence and to other Crown bodies;
- (b) the provision of such goods and services to other customers;
- (c) operations incidental, conducive or otherwise ancillary to the foregoing.

Article 4

SCHEDULE 2

ASSETS AND LIABILITIES APPROPRIATED TO THE FUND

ASSETS

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

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

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

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

LIABILITIES

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

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

B(ii) Treasury Minute

To note: Updated Minute due to be issued by HMT.

UK HYDROGRAPHIC OFFICE TRADING FUND

TREASURY MINUTE DATED 5 February 2019

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

(a) to manage the funded operations so that the revenue of the fund:

- (i) consists principally of receipts in respect of goods and services provided in the course of the funded operations, and
- (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

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

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

3. The Secretary of State for Defence, being the responsible Minister for the purposes of Section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the UK Hydrographic Office Trading Fund for the 3-year period from 1 April 2018 to 31 March 2021 shall be to achieve a return, averaged over a five year period from 1 April 2018, of 9.0 per cent in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed shall consist of the capital (PDC and long-term element of loans) and reserves.

4. This minute supersedes that dated 20 April 2017.

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

Annex C – Governance arrangements for major business decisions and Cabinet Office controls

In general, the UKHO chief executive may exercise the full financial authority delegated to the MOD by HM Treasury. However certain constraints apply. No expenditure may be incurred which is illegal. All novel or contentious items, or those with wider implications for the MOD or likely to generate public or parliamentary interest, are to be submitted to the responsible minister for approval. Any expenditure which is novel, contentious or repercussive, or in some other way at odds with HM Treasury guidance, will require approval by both the MOD and, where appropriate, HM Treasury, irrespective of size. Cabinet Office has exempted UKHO from Cabinet Office spend controls because UKHO is classified by the ONS as a public corporation. These governance arrangements will be considered in accordance with *Managing Public Money*. They will be reviewed from time to time by the responsible minister in conjunction with the UKHO chair, UKHO chief executive and the MOD sponsorship team. Additional external approvals may also be required.

Type of expenditure ¹ or other item (thresholds relate to whole-life costs)	Threshold above which the UKHO chief executive will seek the UKHO board's endorsement ²	Threshold above which the UKHO chief executive (through the UKHO board) will seek departmental approval
1. Approval thresholds		
Expenditure included in the Corporate Plan ³	£6,000,000 ⁴	£12,000,000
Expenditure not included in or going beyond the Corporate Plan	£3,000,000	£6,000,000
Corporate transactions (purchase or sale of subsidiaries)	Nil ⁵	£12,000,000 ⁶
2. Other financial commitments		
Actions leading to Write-Offs/Write Downs	£500,000	£1,000,000

¹ All expenditure should initially be subject to the UKHO's own internal approvals processes, e.g. through the UKHO Investment Committee. For Chief Executive approved business cases (>£1m), the Investment Committee will regularly receive: (i) a Benefits Delivery Report on business cases; (ii) an update on meeting ministerial/Head Office approval conditions; and (iii) a report if any underlying assumptions/context have changed, requiring a change in approach.

² If the UKHO board cannot agree to endorse an expenditure proposal submitted by the chief executive, the matter will be referred, through the MOD sponsor, to the responsible minister for a decision. The ministerial submission will make clear the reasons why board endorsement was not forthcoming. The chair of the board or individual members have no authority, on their own, to block proposals from the chief executive.

³ Any reference to "corporate plan" includes the annual business plan (see *Managing Public Money*, Framework Document Templates). A corporate plan usually covers 3 to 5 years. The first year of the corporate plan is the more detailed annual business plan. Some organisations produce a single document to cover both the corporate plan and business plan, and some prefer to produce two separate documents. UKHO usually does the latter (a corporate plan and a separate business plan), as this tends to be easier to maintain and update on an annual basis. If two separate documents are produced, together they form the "corporate plan".

⁴ For cases coming to the UKHO board, the advice of the UKHO Director Finance & Corporate Services (Dir Fin&CS) will be shared with the board. UKHO Dir Fin&CS will provide the UKHO board and MOD Head Office Finance with a forward look (c.12 months ahead) of business cases.

⁵ All corporate transactions must go to the UKHO board with UK Government Investments (UKGI) observations. UKGI will act as a critical friend to support UKHO in the development of any proposed strategic commercial partnerships, joint ventures and/or acquisitions (at strategic, outline and full business case stages). This condition applies to corporate transactions of any value.

⁶ All corporate transactions of any value will be notified to the department, and UKGI observations will be shared with the department. Departmental approval is required if £12m or above - to align with threshold for expenditure included in the corporate plan.