FRAMEWORK AGREEMENT

between

SCOTTISH GOVERNMENT

and

VISITSCOTLAND

Agreed / final version – 11th July 2018
VISITSCOTLAND FRAMEWORK AGREEMENT

Introduction.

1. This framework agreement has been drawn up by the Scottish Government’s Directorate for Culture, Tourism and Major Events (“SG”) in consultation with VisitScotland (“VS”). It sets out the broad framework within which VS will operate and defines key roles and responsibilities which underpin the relationship between VS and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every three years.

2. Any proposals to amend the framework agreement either by the SG or the Board of VS will be taken forward in consultation between both parties, in consideration of Scottish Ministers’ priorities and policy aims, operational factors, and the track record of VS itself.

3. The guiding principle shall be that the extent of flexibility and freedom given to VS shall reflect both the quality of its internal controls and its operational needs.

4. VS shall satisfy the conditions and requirements set out in this framework document, together with all relevant requirements as laid out in the Scottish Public Finance Manual (“SPFM”) and such conditions as the Scottish Ministers/SG may from time to time impose.

5. Any question regarding the interpretation of the document shall be determined by the Scottish Ministers/SG after consultation with VS. Legislative provisions shall take precedence over any part of the document.

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

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

VS’s PURPOSE, FUNCTION AND POWERS

8. VS’s primary purpose, as agreed by Scottish Ministers, is to focus its activities on the achievement of the SG’s purpose of creating a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth. Ministers expect VS to do this by aligning its aims and objectives with the SG’s published Programme for Government (PfG), Scotland’s Economic Strategy (SES) and National Performance Framework (NPF).

9. VS’s statutory functions under the Development of Tourism Act 1969 and the Tourism (Overseas Promotion) (Scotland) Act 1984 (the Act) include the following:
   • To encourage people to visit Scotland and people living in Scotland to take their holidays there;
   • To encourage the provision and improvement of tourist facilities in Scotland, and;
   • To give advice to Ministers and public bodies on tourism matters.

10. The 1969 Act gives VS wide discretionary powers with which to discharge these functions. VS has specific powers, the most important of which are;
   • to promote or undertake publicity in any form;
   • to provide advisory and information services;
   • to promote or undertake research; and
   • As well as deploying its own resources effectively and efficiently in fulfilment of these functions, VS should also use strong strategic leadership and collaboration with others so that collective resources can support

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1 Addressing low pay is one of the Scottish Government’s (SG) key objectives, because we believe in a strong Scottish economy and in promoting fairness and equity for all. SG support the objectives and the recommendations of the Scottish Living Wage campaign. SG has acted on that by requiring that all employers subject to our public sector pay policy comply with this minimum pay rate. That covers the SG, its agencies, and the non-departmental public bodies for which we are responsible. We would also expect to see this commitment reflected within subsidiaries of these bodies.
each other’s strategic aims. In fulfilling these functions, VS will therefore work in partnership alongside other appropriate government bodies.

11. Scottish Ministers have approved the following overall aim for VisitScotland

To help maximise the sustainable economic benefit of tourism throughout Scotland

VS will do so, either at its own hand, or by other means, by:

- Marketing Scotland as a tourist destination, attracting as many visitors, with as high a value as possible and creating compelling reasons to visit Scotland;
- Encouraging the spread of tourism throughout Scotland and throughout the year;
- Encouraging and securing the highest quality of standards in the industry;
- Provide business support and advice focused around quality, customer service and marketing;
- Ensuring the highest quality of advice and information to potential visitors;
- Operating an event strategy which will drive tourism and create international profile for Scotland;
- Identifying and supporting partners who develop and deliver the infrastructure and skills needed by the sector;
- Undertaking research and analysis to inform their own work and disseminating findings effectively throughout the industry.

12. The sponsor Directorate oversees VS’s performance framework in light of the Scottish Ministers’ wider strategic aims. VS’s objectives and key targets shall be agreed within VS’s business planning process (sections 45-48 below).

13. Ministers expect VisitScotland to contribute to progress in achieving the outcomes in the National Performance Framework, and to demonstrate this contribution.

14. In working to achieve its strategic objectives VisitScotland should:

- Work closely with other partners - with tourist industry interests, and any other public, private or third sector organisation or individual involved in, or with an interest in, the development of tourism in Scotland - to ensure maximum exploitation of the strategic drivers for growth;
- Participate in any further strategy development as requested by or agreed with the Scottish Government;
- Work with Scottish Government and other agencies to help position Scotland on the global stage;
- When programmes or projects are being developed, consult Scottish Government officials at an early stage when these are major or novel and/or where the Scottish Government itself delivers complementary forms of support;
- Seek to maintain good working relationships with the Scottish Government and respond to requests from the Scottish Government – and otherwise provide appropriate information – timeously, comprehensively and accurately.

Relationship between Scottish Government and VisitScotland

15. Effective strategic engagement between the SG and VS is essential in order that they work together as effectively as possible to maintain and improve tourism services and deliver improved outcomes. Both the SG and VS will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on Strategic Engagement between the Scottish Government and Scotland’s NDPBs’. In working to achieve its strategic objectives VS should:

- Seek to maintain good working relationships with the SG and respond to requests from the SG – and otherwise provide appropriate information – timeously, comprehensively and accurately;
- Participate in any further strategy development as requested by, or agreed with, the SG;
- Refer to the Scottish Public Finance Manual (SPFM) and any Finance Guidance notes, which may be issued from time to time, to provide guidance on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety;
- When programmes or projects are being developed, consult the SG officials at an early stage when these are major, novel or contentious and/or where the SG itself delivers complementary forms of support.

GOVERNANCE AND ACCOUNTABILITY

Legal origins of powers and duties

16. VS is established under the Development of Tourism Act 1969. At that time it was the Scottish Tourist Board. Its powers were amended by the Tourism (Overseas Promotion) (Scotland) Act 1984. The name was changed to
VisitScotland by the Tourist Boards (Scotland) Act 2006. VS does not carry out its functions on behalf of the Crown and does not have the immunity and privilege of the Crown.

Classification
17. For administrative purposes VisitScotland is classified as an executive non-departmental public body (NDPB). For national accounts purposes VS is classified to the central government sector.

18 References to VS include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes.

Ministerial responsibilities
19 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of VS and its use of resources. They are not however responsible for day to day operational matters. Their responsibilities include:

- approving VS’s strategic aims, objectives and key targets (as part of the corporate planning process);
- approving the budget and the associated grant in aid requirement to be paid to VS, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the founding legislation including appointments to the Board, approving the terms and conditions of Board members and issuing letters of appointment which set out the length of term;
- Other matters such as approving VS’s chief executive and staff pay remit in line with SG Pay Policy and laying of the annual report and financial statements before the Parliament.

VS Board responsibilities
20. The Board Members, including the Chair, are appointed by the Scottish Ministers in accordance with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The role of the Board is to provide leadership, direction, support and guidance to ensure the body delivers and is committed to delivering its function effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers.

21. The Board has corporate responsibility, under the leadership of the Chair, for

- ensuring that VS fulfils the aims and objectives set by the Scottish Ministers;
- promoting the efficient and effective use of staff and other resources by VS consistent with the principles of Best Value including, where appropriate, participation in shared service arrangements – see relevant section of the SPFM and other relevant guidance issued by Scottish Government;
- establish the overall strategic direction of VS within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of VS or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (ie all funds falling within the stewardship of VS) are complied with; that VS operates within the limits of its statutory authority and any delegated authority agreed with the SG, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, VS takes into account relevant guidance issued by the Scottish Ministers;
- ensure that they receive and review regular financial information concerning the management of VS; are informed in a timely manner about any concerns about the activities of VS; and provide positive assurance to the SG that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making;
- ensure that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control; including by setting up and using an independent Audit and Risk Committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Board to address the key financial and other risks facing VS;
- ensure that effective arrangements are in place so that VS acts in accordance with the strategic priorities, and is consistent with the Certificate of Assurance section of the SPFM;
- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The chief executive as the Accountable Officer of VS is responsible for signing the accounts and is ultimately responsible to the Scottish Parliament for their actions;
- appoint a Chief Executive, following appropriate approval of the chief executive’s remuneration package in line with SG Pay Policy and, in consultation with SG, and set appropriate performance objectives which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers’ priorities;

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ensure that VS’s public profile, and in particular in its relations with news media, is properly presented; and
represent VS at engagements, functions and meetings requiring senior-level involvement.

22. Further guidance on how the Board should discharge its duties is provided in appointment letters and in On Board: A guide for Board Members of Public Bodies in Scotland.

**VS Chair’s responsibilities**

23. The Chair of the VS Board is accountable to Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between VS Board and Scottish Ministers should normally be through the Chair, whilst recognising that the Chief Executive also has a key role to play in this respect, and the Chair shall ensure that the other Board members are kept informed of such communications. He or she is responsible for ensuring that VS’s aims, objectives, policies and actions support Scottish Ministers’ wider strategic policies and that its affairs are conducted with probity and a high standard of propriety.

24. In leading the VS Board the Chair must ensure that:

- the work of the Board is subject to regular self-assessment and that the Board is working effectively;
- the Board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing VS’s business, and in terms of the protected characteristics under the Equality Act;
- the Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- succession planning takes place to ensure that the Board is diverse and effective, and the Scottish Ministers are advised of VS’s needs when board vacancies arise;
- there is a code of conduct for Board members in place, approved by Scottish Ministers.
- he or she exhibits particular leadership responsibility for formulating VS’s strategy, and ensures that the Board, in reaching decisions, takes proper account of guidance issued by Scottish Ministers;
- he or she represents the views of the Board to the general public.

25. The Chair assesses the performance of individual Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the Board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.

**Individual Board Members’ responsibilities**

26. Individual Board members should act in accordance with the responsibilities of the Board as a whole – namely to:

- comply at all times with the code of conduct adopted by VS and with the rules relating to the use of public funds and to conflicts of interest and confidentiality. (In this context “public funds” means not only any funds provided to VS by Scottish Ministers, but also any other funds falling within the stewardship of VS, including trading and investment income, gifts, bequests and donations.) General guidance on Board members’ responsibilities is summarised in their appointment letters and is also provided in On Board: A guide for Board Members of Public Bodies in Scotland;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with VS’s internal guidance on the provision and/or acceptance of gifts and hospitality and of business appointments;
- act in good faith and in the best interests of VS.

**VS Chief Executive responsibilities**

27. The Chief Executive of VS is employed and appointed by the Board with the approval of Scottish Ministers. He/she is the Board’s principal adviser on the discharge of its functions and is accountable to the Board. His/her role is to provide operational leadership to VS and ensure that the Board’s aims and objectives are met and VS’s functions are delivered and targets met through effective and properly controlled executive action. His/her general
Responsibilities include the performance, management and staffing of VS. General guidance on the role and responsibilities of the Chief Executive is contained in ‘On Board.’ Specific responsibilities to the Board include:

- advising the Board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of Scottish Ministers - and implementing the decisions of the Board;
- ensuring that VS complies with its statutory obligations having regard to relevant Codes of Practice and the Framework Agreement between VS and the SG;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Appraisal and Evaluation section of the Scottish Public Finance Manual (SPFM), are followed;
- ensuring that VS adheres, where appropriate, to the SG's Programme and Project Management Centre of Expertise (PPM-CoE)Principles;
- having robust performance and risk management arrangements in place - consistent with the Risk Management section of the SPFM - that support the achievement of VS’s aims and objectives and that facilitate comprehensive reporting to the Board, the SG and the wider public. Risk management arrangements should include full consideration or organisational resilience to physical, personnel and cyber risks/threats/hazards;
- ensuring that adequate systems of internal control are maintained by VS, including effective measures against fraud and theft, consistent with the Fraud section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements, consistent with the Delegated Authority section of the SPFM;
- advising the Board on the performance of VS compared with its aim[s] and objectives;
- preparing VS's corporate and business plans, in the light of the strategic aims and objectives agreed by Scottish Ministers;
- ensuring effective relationships with SG officials; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or under-spends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion.

VS Accountable Officer responsibilities

The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for VS. Withdrawal of the VS Accountable Officer designation is also a matter for the Principal Accountable Officer. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the Memorandum to Accountable Officers for Other Public Bodies. These include:

- ensuring the propriety and regularity of VS’s finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of VS are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value and deliver Value for Money for the public sector as a whole;
- ensuring compliance with relevant guidance issued by Scottish Ministers, in particular the SPFM and SG Pay Policy;
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the Board/Chair before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the Portfolio Accountable Officer.
- The wider responsibilities of the Accountable Officer, as they apply specifically to VisitScotland, are set out in APPENDIX II of this Framework Agreement.

It is incumbent on the Chief Executive to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the Board. The Board/Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

Portfolio Accountable Officer responsibilities

The Principal Accountable Officer for the Scottish Government shall designate the Director-General for Economy as the Accountable Officer for the SG portfolio budget for VS.
31. The responsibilities of a Portfolio Accountable Officer are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration. He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by VS conform to the requirements both of propriety and of good financial management;
- the key roles and responsibilities which underpin the relationship between the SG and VS are set out in this framework document - and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy Director level between the SG and VS in accordance with the strategic engagement principles; and
- there is effective continuous assessment and appraisal of the performance of the Chair of VS, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

Scottish Government Director and Deputy Director responsibilities

32. The SG Director for Culture, Tourism and Major Events and Deputy Director for Tourism and Major Events have responsibility for overseeing and ensuring effective relationships between the SG and VS which support alignment of VS’s business to the SG’s purpose and national outcomes and high performance by VS. They will work closely with VS Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with VS that are characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Portfolio Accountable Officer or the Director for CTME shall be responsible for assessing the performance of VS Chair at least annually.

Sponsor Unit responsibilities

33. The SG sponsor unit for VS sits within the Directorate for Culture, Tourism, and Major Events. It is the normal point of contact for VS in dealing with the SG. The unit, under the direction of the Director and Deputy Director, is the primary source of advice to Scottish Ministers on the discharge of their responsibilities in respect of VS and it undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document Strategic Engagement between the Scottish Government and Scotland's NDPBs and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of Scottish Ministers and VS;
- ensuring that appointments to VS Board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
- proportionate monitoring of VS’s activities through an adequate and timely flow of appropriate information, agreed with VS, on performance, budgeting, control and risk management;
- addressing in a timely manner any significant problems arising in VS or any subsidiaries and joint ventures owned or controlled by VS, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of VS and the risks to them are properly and appropriately taken into account in the SG’s risk assessment and management systems; and
- informing VS of relevant SG policy in a timely manner and advise on the interpretation of that policy;

Internal audit

34. The Board shall:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards ("PSIAS") and the Internal Audit section of the SPFM;
- set up an audit (or audit and risk) committee of its Board, in accordance with the Audit Committees section of the SPFM, to advise both the Board and the Chief Executive in his/her capacity as VS Accountable Officer;
- forward timeously to the SG the audit Terms of Reference ("TOR"), strategy, periodic audit plans and annual audit assurance report, including VS Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested; and
- keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by VS and notify the SG at the earliest opportunity of any unusual or major incidents.

35. The SG’s Internal Audit Division has a right of access to all documents held by the VS internal auditor, including where the service is contracted out. The SG has a right of access to all VS records and personnel for any purpose.
External audit

36. The Auditor General for Scotland ("AGS") audits, or appoints auditors to audit, VS’s Annual Report and Financial Statements and passes them to Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor’s report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. VS shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

37. The Auditor General for Scotland ("AGS"), or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which VS has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by VS to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons.

38. In addition, VS shall provide, in contracts and any conditions to grants, for the AGS to have access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

39. In line with the duties to provide information on their exercise of public functions under Part 3 of the Public Services Reform (Scotland) Act 2010 - Sec 31(1);31(2);31(3) - VS shall, as soon as practicable after the end of the relevant financial year publish a statement setting out the necessary details of expenditure it has incurred during that financial year, as specified therein.

European Audits

40. Ultimate responsibility for the oversight and scrutiny of funds provided to VS by the European Commission rests with the Commission’s auditors and with the European Court of Auditors. European auditors should therefore always be permitted access to the books of accounts and records of VS and its subsidiaries.

41. VS’s internal audit service will review the effectiveness of the management and control systems in place internally, to ensure compliance with EC regulatory requirements and provide access to external auditors as required. Information on ‘matters relating to the audit of accounts’ can be found in the EU Funding and EC State Aid Rules sections of the SPFM.

Annual Report and Accounts

42. VS must publish an Annual Report of its activities together with its audited accounts after the end of each financial year. The Annual Report and Accounts must cover the activities of any corporate, subsidiary or joint ventures under the control of VS where appropriate. It should comply with the Government Financial Reporting Manual (FReM) and outline VS’s main activities and performance against agreed objectives and targets for the previous financial year.

43. The Annual Report and Accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by Scottish Ministers. Any financial objectives or targets set by Scottish Ministers, should be reported on in the accounts and will, therefore, be within the scope of the audit. Any other subsidiary or joint venture owned or controlled by VS shall be consolidated, if appropriate, and be clearly identifiable within its financial statements and comply with the guidance in the International Financial Reporting Standards as adapted and interpreted for the public sector context.

44. VS should submit to the SG the draft Annual Report and Accounts for comment and for information, by the end of July, however this will be dependent upon the conclusion of the annual external Audit, and therefore this timeframe, with the prior approval of the sponsor department, can be altered. The final version should be available to the SG, and Ministers, as soon as possible following formal Board approval by end of October. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of Scottish Ministers that accounts will be laid and published as early as possible. The Annual Report and Accounts must not be laid before they have been formally sent by the AGS to the SG and must not be published before they have been laid. VS shall be responsible for the publication of the Annual Report and Accounts for example on VS’s website.
Management responsibilities

Corporate and business plans

45. VS must ensure that a long term corporate plan, agreed with the Scottish Ministers, is in place and published on VS's website. VS shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect VS's strategic aims and objectives as agreed by Scottish Ministers, its indicative budgets, and any priorities set by Scottish Ministers. It shall demonstrate how VS contributes to the achievement of the SG’s primary purpose of increasing sustainable economic growth and its alignment with the SG’s National Performance Framework.

46. The corporate plan for VS should include:
   - the purpose and principal aims of VS;
   - an analysis of the environment in which VS operates;
   - key objectives and associated key performance measures/targets for the period of the plan, the strategy for achieving these objectives, and details of how these will contribute towards the achievement of the PIG, the SES and alignment with the NPF;
   - indicators against which performance can be measured;
   - budgeting information for the forthcoming and subsequent years;
   - details about how VS proposes to use collaboration with other bodies and sectors, locally and nationally, to support delivery of its key outcomes;
   - details of planned efficiencies, describing how VS proposes to achieve better value for money, including, where appropriate, through shared services; and
   - other matters as agreed between the SG and VS

47. VS's corporate plan should inform the development of a separate business plan for each financial year. The VS business plan must include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information for the forthcoming and subsequent years so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of VS’s business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

48. VS shall take the initiative in informing the SG of changes in external conditions which make the achievement of objectives more or less difficult, which may require a change to the budget or objectives set out in the corporate or business plans.

Budget management

49. VS's budgeting procedures are set out in Financial Section

50. Each year, in the light of decisions by Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to VS a formal statement of its budgetary provision, a note of any related matters, including planned change in policies affecting VS, and details of the budget monitoring information required by the SG. The terms of that letter, referred to as the Budget Allocation and Monitoring letter, should be viewed as complementing the content of this document. The monthly monitoring is the primary means of in-year budgetary control across the SG. As such, bodies must comply with the format and timing of the monitoring together with any requests for further information.

51. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) DEL. VS will inform the sponsor unit at the earliest opportunity if a requirement for Annually Managed Expenditure (AME) is identified. The SG should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision. Transfers of budgetary provision between the different classifications require the prior approval of the SG Finance Directorate. Any proposals for such transfers should therefore be submitted to the sponsor unit. Transfer of provision within the classifications may be undertaken without reference to the SG, subject to constraints on specific areas of expenditure eg the approved pay remit.

52. Scottish Ministers may also make adjustments to VS's provision during the course of the financial year. This will normally take place as part of the Autumn or Spring Budget Revisions. The timetable for the Budget Revision processes will be confirmed by the SG as soon as practicable after the start of each financial year. VS shall be formally advised of such adjustments.

53. If the trading and other resource income realised (including profit or loss on disposal of non-current assets) - scored as negative RDEL - or the net book value of disposals of non-current assets – scored as negative CDEL - is less than included in the agreed budget VS shall, unless otherwise agreed with the SG, ensure a corresponding
reduction in its gross expenditure. (The extent to which VS exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year). If income realised is more than included in the agreed budgets VS must consult and obtain the prior approval for the use of excess income to fund additional expenditure or to meet existing pressures. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budget for the following financial year. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt, otherwise additional budget allocation will be required. In any event, income from all sources and all planned expenditure should be reflected in the monthly budget monitoring statement.

Cash management

54. Any grant in aid (i.e. the cash provided to VS by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of VS - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by VS.

55. The banking arrangements adopted by VS must comply with the Banking section of the SPFM except where it is agreed with the SG that there are overriding commercial reasons.

Risk management

56. VS shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop an approach to risk management consistent with the Risk Management section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The VS Audit & Risk Committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

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

Organisational security and resilience

58. As part of risk management arrangements, the NDPB shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. It should have particular regard to the following key sources of information to help guide its approach:

- Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance)
- The Scottish Public Sector Action Plan on Cyber Resilience and associated guidance

Counter Fraud Arrangements

59. VS should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the Fraud section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

Performance management

60. VS shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to VS Board and copied to the SG.

61. VS's performance in helping to deliver Ministers’ policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate on a regular basis. This will cover both VS’s direct contributions, and the
effectiveness of partnership working with others, locally and nationally, in helping to deliver Ministers’ policies. Performance will be formally reviewed twice yearly by the sponsor Directorate. The responsible Cabinet Secretary/Scottish Minister shall meet the VS Chair and Board formally at least once each year to discuss VS’s performance, its current and future activities, and any policy developments relevant to those activities.

62. The performance measures set by VS should show clear links to the PIF, the SES and to the NPF. Where possible, individual measures should be clearly linked to the outcomes in the NPF which they will have an impact on. VS, along with other partners, will consider developing work to quantify the impact of their performance targets on the delivery of the NPF and the SES.

Staff management

Broad responsibilities for VS staff

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

- personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
- However, any significant changes in staff numbers or organisational structure should be discussed in advance with the sponsor Directorate.
- the performance of its staff at all levels is satisfactorily appraised and VS’s performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve VS’s objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs

Pay and conditions of service

64. VS shall comply with SG Pay Policy in relation to staff and the chief executive. VS shall submit to the SG for approval (normally annually, unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Payment of salaries should also comply with the Tax Planning and Tax Avoidance section of the SPFM. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. VS will also seek appropriate approval under the SG Pay Policy for Senior Appointments for the chief executive’s remuneration package prior to appointment, annually or when a change to the remuneration package is being proposed.

Pensions, redundancy and compensation

65. Superannuation arrangements for VS staff are subject to the approval of the SG. VS staff shall normally be eligible for a pension provided by:

- The British Tourist Boards’ Pension Scheme (“BTB”)
- The Local Government Pension Scheme (“LGPS”)

Staff may opt out of the occupational pension scheme provided by VS, as above, but, in the absence of such will be entered into the Government “NEST” Scheme, but the employer’s contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

66. Any proposal by VS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the Settlement Agreements, Severance, Early Retirement and Redundancy Terms section of the SPFM. This includes referral to the SG of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.
Board expenses

67. Remuneration (daily fees), allowances and expenses paid to Board members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by Scottish Ministers.

Asset and property management

68. VS shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the Property: Acquisition, Disposal & Management section of the SPFM. ‘Non-current’ assets should be disposed of in accordance with the SPFM. The SG’s Property Division should be consulted about relevant proposed disposals of property that VS holds for operational purposes (as opposed to for investment) at the earliest opportunity so it may be advertised internally (within SG). Any proposal to acquire land, buildings or other rights in property for accommodation/operational purposes should comply with the SPFM. VS is also subject to the SG Asset Management Policy, including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process. All assets (property, plant and equipment) are to be properly recorded and updated as necessary by the NDPB on the Cabinet Office electronic Property Information Mapping System (e-PIMS). [If the NDPB is not required to report data annually to Parliament, in accordance with section 76 of the Climate Change (Scotland) Act 2009, the business area can use other robust property asset management systems.]

SPECIFIC FINANCIAL PROVISIONS

Many of the provisions included in this section - and other sections - of the framework agreement highlight specific requirements in the SPFM that are considered of particular relevance to VS. It should be noted, however, that guidance in the SPFM should always be considered in its entirety as and when relevant issues arise.

Delegated authorities

69. VS’s specific delegated financial authorities – as agreed in consultation between VS and the SG – are set out in the attached Annex on Specific Limits on Delegated Financial Authority. VS shall obtain the SG’s prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. VS shall also comply with any requirements for prior SG approval included in the SPFM and/or this document, as set out in the attached Annex on Specific Limits on Delegated Financial Authority.

70. In addition, prior SG approval must always be obtained before:
   • incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive and which has, or could have, future cost implications eg;
     o making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate; or
     o making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

71. A decision on whether the formal approval of the sponsor Directorate is required on any proposal will be made within three weeks of it being submitted. However, it is noted that in exceptional circumstances this may take longer than three weeks.

Capital expenditure

72. Subject to being above VS’s capitalisation threshold, as agreed with the external auditors, all expenditure on the acquisition or creation of non-current assets shall be capitalised on an accruals basis in line with current accounting standards.

73. Proposals for large-scale individual capital projects or acquisitions will normally be considered within VS's corporate planning process and within the context of its long-term estate strategy/asset management plan. Any such project shall be subject to the guidance in the Major Investment Projects section of the SPFM and, where appropriate, the Construction Procurement Manual published by the SG’s Construction Procurement Policy Team. Individual capital projects or acquisitions are subject to specific delegated limit(s) as indicated in the attached Annex on Specific Limits on Delegated Financial Authority.
Income generation

74. VS shall seek to optimise income from all sources, including from the European Union, and ensure that the SG is kept informed, provided that this is consistent with VS’s main functions and its corporate plan as agreed by the Scottish Ministers. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by VS shall be determined in accordance with the Fees & Charges section of the SPFM. (NB. Grant in Aid does not qualify as income.)

75. VS should seek to optimise its receipts and so should keep all activities under regular review with the aim of identifying surplus assets. The treatment of Income Receivable and Receipts should be in accordance with the guidance in the Income Receivable and Receipts section of the SPFM.

76. Receipts are classified as either Capital or Resource. Capital receipts may only be used for capital expenditure.

77. Interest earned by VS on cash balances may be recycled subject to it being included in the approved budget.

78. Gifts, bequests or donations received by VS score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, VS should be able to demonstrate that expenditure funded by gifts etc. is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc., VS shall consider if there are any associated costs in doing so or any conflicts of interests arising. VS shall keep a written record of any such gifts etc. and what has happened to them.

Financial investments

79. VS shall not aim to build up cash balances or net assets in excess of what is required for operational purposes.

80. Unless covered by a specific delegated authority (including VS’s authority to make financial investments in ventures which further the objectives of VS), VS shall not make any financial investments without the prior approval of the SG.

81. VS shall not invest in any venture of a speculative nature.

Borrowing

82. Borrowing cannot be used to increase VS’s spending power. All borrowing by VS - excluding agreed overdrafts - shall be from Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Lease arrangements

83. Unless covered by a specific delegated authority VS shall not enter into any finance, property or accommodation-related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant’s lease break - without the SG’s prior approval. Before entering / continuing such arrangements VS must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property / accommodation related operating leases are subject to a specific delegated authority. The NDPB must have capital DEL provision for finance leases and other transactions which are in substance borrowing.

Tax arrangements

84. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the Tax Planning and Tax Avoidance section of the SPFM. VS must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of VS to observe VAT legislation and recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. VS must also ensure that it accounts properly for any output tax on sales or disposals.
Lending and guarantees

85. Any lending by VS must adhere to the guidance in the Borrowing, Lending & Investment section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated authority VS shall not, without the SG’s prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement. It is for VS to determine if the issue of such lending, guarantees, indemnities or letters of comfort are part of the normal course of business or should be notified to SG for approval.

Third party grants or loan schemes

86. Unless covered by a specific delegated authority, VS shall not, without the SG’s prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the State Aid section of the SPFM. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading “Clawback”.

Impairments, provisions and write-offs

87. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset - and that includes investments - suffers impairment it is important that the prospective impairment and background is communicated to the SG at the earliest possible point in the financial year to determine the implications for VS’s budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against VS’s resource DEL budget classification and is subject to a specific delegated limit.

Insurance

88. VS is subject to the SG policy of self-insurance. Commercial insurance must be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the Insurance section of the SPFM - where required with the prior approval of the SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to VS. The SG will ensure VS has a Certificate of Exemption for Employer's Liability Insurance.

Procurement and payment

89. VS’s procurement policies shall reflect relevant guidance in the Procurement section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving VS’s objectives consistent with the principles of Value for Money, the highest professional standards and any legal requirements

90. The VS Procurement Tender Thresholds and Process Summary outlines the mandatory levels of competitive procurement activity across the organisation. The delegated authorities for all capital and operating expenditure contractual procurements are set out in VS Scheme of Delegation.

91. In line with SG ‘Consultancy Procedures’, Version 1.6 (23 January 2013) Part 4 - all consultancy contracts, between the value of £10,000 and £100,000 must be approved by VS Chief Executive. Any proposal to award a consultancy contract over £100,000 must be endorsed in advance by VS’s Chief Executive, prior to submitting it to the SG.

92. Any major investment programmes or projects undertaken by VS shall be subject to the guidance in the Major Investment Projects section of the SPFM. (This requirement is satisfied by VS’s current reporting of summary information on major investment projects.) The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG’s Office of the Chief Information Officer.

93. VS shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the Expenditure and Payments section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SG’s target for the payment of invoices within 10 working days of their receipt.
Gifts made, special payments and losses

94. Unless covered by a specific delegated authority VS shall not, without the SG’s prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject the guidance in the Losses and Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Clawback

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

96. VS shall also ensure that if the assets created by grants made by VS cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to VS.

State aid

97. State aid is a European Commission term which refers to forms of public assistance agiven to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between member states of the European Union. Any activity that the NDPB undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to state aid rules. A state aid assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the state aid section of the SPFM.

98. The Scottish Government State Aid Unit (SAU) provides advice on State aid to all public funders

99. Further information on State aid and Scottish approved schemes and block exemptions is available at the State aid website [http://www.stateaidscotland.gov.uk](http://www.stateaidscotland.gov.uk).
**FRAMEWORK AGREEMENT : ANNEX**

**SPECIFIC LIMITS ON DELEGATED FINANCIAL AUTHORITY**

<table>
<thead>
<tr>
<th>Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-tender contracts</td>
<td>£10,000 with dispensation up to £64,000 in accordance with reporting criteria – see below #</td>
</tr>
<tr>
<td>Investment projects</td>
<td>Nil</td>
</tr>
<tr>
<td>Acquisition of non property assets</td>
<td>£250,000</td>
</tr>
<tr>
<td>New, in-year, unplanned discretionary spend projects (including repurposed use of underspends / slippage from other projects)</td>
<td>Up to £249,999.</td>
</tr>
<tr>
<td>New Grant / loan schemes</td>
<td>Nil</td>
</tr>
<tr>
<td>Claims waived or abandoned</td>
<td>£2,000 up to an aggregate of £25,000 in any financial year</td>
</tr>
<tr>
<td>Write-off of losses</td>
<td></td>
</tr>
<tr>
<td>Losses of cash due to theft, fraud, overpayment of salaries, wages, fees, allowances, other causes</td>
<td>£2,000 up to an aggregate of £25,000 in any financial year</td>
</tr>
<tr>
<td>Loss of equipment and property due to theft, fraud, arson, fire, flood, motor vehicle accidents or damage to vehicles</td>
<td>£5,000 up to an aggregate of £50,000 in any financial year</td>
</tr>
<tr>
<td>Trade bad debts written off</td>
<td></td>
</tr>
<tr>
<td>Trade bad debts written off</td>
<td>£2,000 up to an aggregate of £25,000 in any financial year</td>
</tr>
<tr>
<td>Within this limit the following individuals may approve individual amounts:</td>
<td></td>
</tr>
<tr>
<td>Director of Corporate Services up to £2,000</td>
<td></td>
</tr>
<tr>
<td>Head of Finance up to £500</td>
<td></td>
</tr>
<tr>
<td>Special Payments</td>
<td></td>
</tr>
<tr>
<td>Compensation payments (made under legal obligation at a court or tribunal)</td>
<td>£10,000</td>
</tr>
<tr>
<td>Ex-gratia payments</td>
<td>£500 up to an aggregate of £5,000 in any financial year</td>
</tr>
</tbody>
</table>

Agreed / final version – 11th July 2018
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending</td>
<td>Nil</td>
</tr>
<tr>
<td>Borrowing-Bank overdraft</td>
<td>Not appropriate</td>
</tr>
<tr>
<td>New Property and Finance leases</td>
<td>Nil</td>
</tr>
<tr>
<td>Investments</td>
<td>Nil</td>
</tr>
<tr>
<td>Revenue to Capital budget transfer</td>
<td>By arrangement with the SG</td>
</tr>
<tr>
<td>Capital to Revenue budget transfer</td>
<td>Nil</td>
</tr>
<tr>
<td>Contracts for goods or services</td>
<td>Up to a maximum of three (3) years.</td>
</tr>
</tbody>
</table>

# VS will submit a summary table of Single Source Tender Justifications on a quarterly basis to its Audit & Risk Committee. The table should include the following information on each single tender contract:

- The date on which the contract was awarded
- The supplier
- The nature of the goods/services being procured
- The value of the contract
- A brief explanation of the justification for a single tender.

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