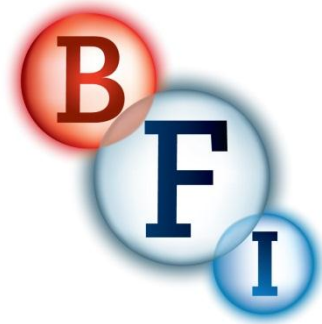




department for  
**culture, media  
and sport**



**MANAGEMENT AGREEMENT 2012-15**

**DEPARTMENT FOR CULTURE MEDIA AND SPORT  
& THE BRITISH FILM INSTITUTE**



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## KEY INFORMATION SHEET

### 1. PRIORITIES

1.1 The Secretary of State's priorities for the British Film Institute (the BFI) are:

- a. **To deliver the priorities and key activities – Expanding education and learning opportunities and boosting audience choice across the UK; Supporting the future success of British film; and, Unlocking film heritage for everyone in the UK to enjoy - as set out in the BFI Strategic Plan Film Forever: Supporting UK Film;**
- b. **To deliver the priorities and activities relating to any additional streams of public funding, e.g. the Department for Education (DfE) funding for the Youth Film Academy;**
- c. **To provide policy advice to Government, through the Department for Culture, Media and Sport (DCMS), with regard film and the moving image;**
- d. **To work with the DCMS to monitor the progress of the recommendations made in the Film Policy Review and the subsequent Government response;**
- e. **To work in partnership with the UK film sector, the devolved administrations and other bodies, so to increase the impact and reach of British films and to ensure the BFI's strategy is delivered across the UK**
- f. **To administer the process on the certification of films as British under the UK's Cultural Test, the UK's bi-lateral Co-production treaties and the European Convention on Cinematographic Co-production on behalf of the DCMS;**
- g. **To develop an approach to environmental sustainability, with the aim to help make the UK film industry a world leader in environmental good practice;**
- h. **To continue to increase income from sponsorship and philanthropy to support the BFI's charitable objectives;**
- i. **To be the custodians of BFI National Archive, preserving and providing access to film culture and moving image material.**

1.2 Any condition(s) attached to on-going funding, such as directions for Lottery funding.

## 2. FINANCIAL ALLOCATION

	Resource Budget			Capital Budget				Grant in Aid
	Programme (near-cash) D	Programme depreciation E	Total Resource (DEL) Budget (D+E) F	Core capital G	Grants H	Projects I	Total Capital (DEL) Budget (G+H+I) K	(D+G+H+I) L
2011/12	33.740	2.950	36.690	2.808	0.000	5.000	7.808	33.589
2012/13	18.200	3.150	21.350	0.952	0.000	0.000	0.952	19.152
2013/14	22.112	3.150	25.262	0.577	0.000	0.000	0.577	22.689
2014/15	22.195	3.235	25.430	0.561	0.000	0.000	0.561	22.756

## 3. DELEGATED FINANCIAL LIMITS

**ALL DELEGATIONS ARE SUBJECT TO THE REQUIREMENT THAT SPENDING PROPOSALS FALLING WITHIN [MANAGING PUBLIC MONEY](#) - Para. A.2.3.10 (expenditure and resource commitments which the Treasury cannot delegate) SHOULD BE REFERRED TO THE DEPARTMENT.**

## 4. PERFORMANCE MEASURES

4.1 The measures of success are as follows:

Over the period of the Future Plan, the Government and the BFI wants to see a positive trend in the following:

- The total size of UK audiences, measured by the number of views of feature films across all platforms in the UK
- The market share of British independent films
- The value of inward investment and of exports
- The UK film industry contribution to GDP
- Major domestic and international awards won by British films and UK talent
- The diversity of UK audiences and the UK film workforce, in terms of ethnicity, gender, geography and disability
- The % of the UK population that values film as part of their cultural life

#### 4.2 The Key performance Indicators are the BFI by 2017 will have:

- Ensured that a new education offer for 5-19 years olds is available to every school and that 25% of all young people across the UK are actively engaged in making, watching and understanding a wide range of film
- Increased the size, diversity and geographic spread of audiences viewing British independent and specialised film
- Funded a range of British films and British talent which will have won major domestic and international awards
- Supported an increase in the diversity of talent, in terms of ethnicity, gender, geography and disability
- Helped increase the total level of inward investment and of exports, by generating new business from emerging target markets
- Increased by 25% the number of visits and reach to BFI content digitally
- Digitised and made available to the public 10,000 significant heritage titles and increased the number of views of archive materials
- Ensured that 80% of key partners including the industry consider the BFI as either very effective or effective as the lead public body for film policy
- Increased, year-on-year, the total amount of philanthropic and charitable income to the BFI.

#### 4.3 Additional Performance Indicators:

- As a Lottery Distributor, ensure that administration costs on Lottery spend should not exceed the agreed 8% and 5% ceilings by March 2015;
- To contribute to a reduction in the application processing time for the BFI Film Fund.
- The BFI will help increase finance to further the ambitions and future growth of film companies.
- To retain the high level of satisfaction with the Film Certification Unit in terms of the advice and overall support given by the Certification Unit to productions applying for British film certification.

## 5. **ENGAGEMENT**

- 5.1 The Department and the BFI have agreed an engagement calendar as follows:  
A regular (at least monthly) relationship meeting between designated BFI and DCMS contacts;
- 5.2 A quarterly update meeting between BFI DCE and DCMS Deputy Director;
- 5.3 Annual meeting to review objectives and performance against KPIs and discuss corporate plans;

5.4 Annual meeting with the Chief Executive and the Chair to discuss Board performance.

## 6. MANAGEMENT INFORMATION

<b>Timescale</b>	<b>What</b>	<b>How</b>	<b>Purpose</b>
Monthly (around 14 <sup>th</sup> of each month)	Grant-in-Aid requests	Via Finance Partnership Webpage	To get ALBs' latest forecast income and expenditure for reporting to Board and HMT. Also the mechanism for paying GIA to ALBs.
Quarterly ( )	National Lottery grant data	By email to Lottery team	Transparency and audit : to inform public where Lottery money has been spent and to allow for more detailed analysis by Government
Weekly/Mon thly (delete as appropriate)	NLDF drawdown requests	By email to Finance	Mechanism for transmitting NLDF monies to Lottery Distributing bodies for payment of approved Lottery grants
Monthly	Spend over £25,000	On [ALB] website	Transparency: to inform public how public money is spent
Monthly	Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector	By email to Procurement and Property Services (Noel Miller)	Benchmarking of procurement spend and provision of data on economic effect of spend by Departments and ALBs
Monthly	Consultancy return (including nil returns)	By Email to DCMS Procurement and Property Services Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Quarterly	Exchequer funds held in commercial	By email to	To supply Treasury

	bank accounts	Finance	with details of how much government funding is held outside GBS
Quarterly	Medium Term Financial Model returns	By email to Finance	To get ALBs' latest capital profiles for internal management and reporting to Investment Committee
Quarterly	Management data on forecast drawdown; forecast commitment; distribution of drawdown across categories of LA/private sector: capital/current	By email to Lottery team	To inform DCMS's NLDF balance management strategy, and to inform OBR and HMT returns about distribution of public monies
Quarterly	Report against Lottery Funding guidelines outlined in <a href="http://livelink/livelink/livelink.exe?func=l&amp;objaction=overview&amp;objid=31835877">http://livelink/livelink/livelink.exe?func=l&amp;objaction=overview&amp;objid=31835877</a>	By email to Lottery team	To ensure the BFI fulfils its role and requirements as a distributor of National Lottery funds as designated under the NATIONAL LOTTERY ETC. ACT 1993
Quarterly	Report progress against Management Agreement priorities	By email to relationship manager	To enable DCMS to be aware of progress
Six-monthly	Publication of senior salaries and organograms	On [ALB] website or hosted on DCMS website	Transparency: to inform public how public money is spent
Annually - Early May	Provisional Outturn for the Public Expenditure Outturn White Paper (PEOWP)	By e-mail to Finance	HM Treasury requirement. Feeds into the PEOWP and presented to Parliament
Annually - Mid August	Final Outturn	By email to Finance	HM Treasury requirement – give bodies chance to bring data in line with Audited



			accounts
Annually	Annual report and accounts (including separate Lottery Accounts)	By email to Finance and relationship manager as per timetable (separate guidance is issued on this)	Statutory obligation.
Annually	Alignment/WGA	Alignment consolidation packs, WGA transactions and balances exercise	Alignment: to consolidate ALBs' resource accounts within the DCMS resource accounts  WGA: to gather counter-party details for consolidation. Any ALBs' not in alignment to supply resource accounts for publication by HMT.
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet Treasury requirement to supply centre with sustainability data
Annually	Distribution of drawdown by region across LA/private sector: capital/current	By email to Lottery team on request	Transparency: to contribute to an HMT publication on distribution of public monies
Annually	Update on progress towards meeting/maintenance of administration cost cap	By email to Lottery team	To ensure delivery of Ministerial requirement to reduce Lottery administration
Annually	Pay Remit + outturn	By email to ALB Team	To ensure spend on pay is aligned across Government

Annually	Total size of office estate (m2)	Directly to Cabinet Office	For Cabinet Office to compile data on public sector office occupation
Annually	Total cost of office estate (£)	Directly to Cabinet Office	For Cabinet Office to compile data on public sector office occupation
Annually	Cost per FTE (£)	Directly to Cabinet Office	For Cabinet Office to compile data on public sector office occupation
Annually	Cost per m2 (£)	Directly to Cabinet Office	For Cabinet Office to compile data on public sector office occupation
Annually	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	Email to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually	Publication of salaries over £150k	By email to ALB team (for publication on Cabinet Office website)	Transparency: to inform public how public money is spent
Annually	Sharing of Strategic Risk Register	At annual performance meeting	Enable timely and appropriate response to risk
Ad hoc immediate as detected	Total identified fraud (£)	By email to DCMS Finance Team	To enable dissemination of fraud cost information to the authorities
Ad hoc immediate as detected	Total prevented fraud (£)	By email to DCMS Finance Team	To enable dissemination of fraud cost information to the authorities
On request	Sharing of audit strategy, periodic audit plans and annual audit report, including the Head of Internal Audit's opinion on risk management, control and governance.	With Finance and Head of, when requested	Assurance of financial management

Other information:

Data to be provided as per the Publications and information strategy section of the Governance Framework

Annually: completed strategic and corporate documents as per the Business planning section of the Governance Framework.

**7. SPEND CONTROLS**

7.1 The BFI is subject to the Cabinet Office spend controls set out at <http://www.cabinetoffice.gov.uk/resource-library/cabinet-office-controls-guidance-actions-and-processes-document> with the following exceptions:

A list of exceptions to spend controls can be found at the following (BFI Finance Team can view via FP webpage):

<https://www.agora.culture.gov.uk/sites/finance/Shared%20Documents/Spend%20Controls%20and%20Authorisations.aspx>

## **THE BFI GOVERNANCE FRAMEWORK**

### **1. INTRODUCTION**

- 1.1 This agreement has been drawn up by the Department for Culture, Media and Sport (“DCMS”) in consultation with the BFI. This document sets out the broad framework within which the BFI will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and the BFI. Copies of the document will be placed in the Libraries of both Houses of Parliament and made available to members of the public on the BFI’s website, with a link to it on the DCMS site.
- 1.2 Legislative changes will take precedence over any part of this document. Significant variations will be cleared with the Treasury or the Cabinet Office as appropriate.
- 1.3 Nothing under this agreement shall prevent the BFI from carrying out its legal duties under its founding legislation or under any other legislation which impacts on its functions, activities or powers.
- 1.4 This agreement complements the BFI Financial Directions and Statement of Financial Requirements (SFR) and its provisions, unless otherwise stated in the SFR, apply to the administration of National Lottery proceeds. It should also be read alongside the BFI’s Policy and Accounts Directions issued under the National Lottery etc. Act 1993.

### **2. GOVERNANCE AND ACCOUNTABILITY**

- 2.1 The statutory and other duties of the BFI derive from the Royal Charter; the BFI is a registered charity and must comply with charity law.
- 2.2 The Secretary of State and other members of the DCMS ministerial team will account for the publicly funded elements of the BFI’s business in Parliament.
- 2.3 The respective responsibilities of the Departmental Accounting Officer and Accounting Officers for NDPBs and other arm’s length bodies are set out in Chapter 3 of Managing Public Money which is sent separately to the NDPB Accounting Officer on appointment and summarised below.
- 2.4 The terms of appointment of the Chair and Board members are as set out in the BFI’s Royal Charter or other founding documents. The process for the appointment of the Chair will embody the principles contained within the Code of Practice of the Commissioner for Public Appointments and will be agreed between the parties.

2.5 In line with the founding legislation or documents, and, where applicable, the Corporate Governance in central government departments: code of good practice 2011, the Board will consist of a Chair, together with [14] members that have an appropriate balance of skills and experience appropriate to directing the BFI's business. The Chief Executive is appointed by the Board and reports to the Board on the day-to-day running of the organisation and its performance against objectives. In addition to this, they will normally be the Accounting Officer for the BFI and will have specific duties in this regard, which are set out in section 4 below.

### **3. DEPARTMENTAL ACCOUNTING OFFICER'S RESPONSIBILITIES**

3.1 The Permanent Secretary, as Accounting Officer for DCMS, is accountable to Parliament for the issue of any grant-in-aid to the BFI and is also responsible for ensuring arrangements are in place to:

- appoint the CE of BFI as Accounting Officer;
- monitor the BFI's activities on a continuous basis;
- address significant problems in the BFI, making such interventions as are judged necessary;
- ensure the financial and other management controls applied by the Department to the BFI are appropriate and sufficient to safeguard public funds and for ensuring the BFI's compliance with those controls ("public funds" include not only any funds granted to the BFI by Parliament but also any other public funds within the stewardship of the BFI);
- periodically carry out an assessment of the risks both to the department and BFI objectives and activities;
- inform the BFI of relevant government policy in a timely manner; and,
- bring concerns about the activities of the body to the full BFI Board; requiring explanations and assurances that appropriate action has been taken.

3.2 The Head of Film in DCMS is the primary contact for the BFI within the Department.

### **4. BFI ACCOUNTING OFFICER'S RESPONSIBILITIES**

4.1 The Departmental Accounting Officer will normally appoint the permanent head of BFI, i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of the BFI's Accounting Officer are set out in full in the Permanent Secretary's appointment letter to him/her. The Accounting Officer is responsible for accounting to Parliament, DCMS, the BFI's Board and other stakeholders.

4.2 The BFI Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds (i.e. including not only any funds granted to the BFI by Parliament but also any other public funds within the stewardship of the BFI); and, reporting to the Board of the BFI, for the day-to-day operations and

management of the BFI and the achievement of its strategic aims. In addition, he or she should ensure that the BFI as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money (at the time of writing).

#### 4.3 The key accountabilities are:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with charity law, Treasury guidance and with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Governance Statement regarding the system of internal control, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the BFI are established and made widely known within the body;
- ensuring that all public funding made available to the BFI and all sums receivable from publicly-funded activities are used for purposes intended by Parliament, and that such moneys, together with the BFI's assets, equipment and staff, are used economically, efficiently and effectively;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on the BFI's stewardship of public funds.

#### 4.4 Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve DCMS's policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department 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 Department in a timely fashion;
- to ensure that administration costs on Lottery spend should not exceed the agreed 8% and 5% ceilings by March 2015; and
- to work collectively with the Department and other members of the DCMS 'family' of arm's length bodies in support of each other and the group as a whole.

4.5 The duties of the Accounting Officer with respect to the Board of the BFI are:

- advising the Board on the discharge of its responsibilities as set out under the founding legislation, in this document, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the BFI's performance compared with its aim[s] and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.7.5 of Managing Public Money if the Board, or its 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, questionable feasibility, or is unethical.

## **5. THE BFI BOARD**

5.1 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

5.2 The Board must set up an Audit Committee chaired by a Trustee or, where applicable, an independent non-executive member. The Audit Committee should support the Board and Accounting Officer by providing independent advice and assurance on risk management, governance and internal control.

5.3 Where the Board does not consider issues relating to staff remuneration itself, it shall ensure that an effective mechanism for such consideration exists, e.g. a remuneration committee or similar body performing the same purpose.

5.4 The Board is specifically responsible for:

- ensuring that the BFI fulfils the aims and objectives set out in its Royal Charter and within the policy and resources framework determined by the Secretary of State; ensuring that the BFI fulfils its role and requirements as a distributor of National Lottery funds as designated under the National Lottery etc. Act 1993;
- determining the steps necessary to deal with any developments which are likely to affect the BFI's ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority, within the resources framework determined by the

Secretary of State and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department;

- ensuring that the BFI complies with the requirements of charity law where this applies;
- ensuring that the Board receives and reviews regular financial information concerning the management of the BFI, is informed in a timely manner about any concerns about the activities of the BFI, and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Board to address key financial and other risks;
- appointing a Chief Executive, in consultation with the Secretary of State as to terms and conditions;
- ensuring that any public functions of the BFI are carried out in compliance with statutory duties relating to equality.

## **6. THE CHAIR'S PERSONAL RESPONSIBILITIES**

6.1 The Chair is responsible to the Secretary of State for ensuring that the BFI fulfills its statutory purpose as set out in its Royal Charter, that it complies with charity law, that where appropriate the BFI's policies are consistent with those of the Secretary of State, and that the BFI's affairs are conducted with probity.

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

- formulating the Board's strategy for discharging its statutory duties;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the Department;
- ensuring that the Board, in reaching decisions, takes proper account of the requirements of charity law;
- supporting the Accounting Officer in promoting the efficient and effective use of staff and other resources;
- supporting the Accounting Officer in delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

6.3 The Chair also has an obligation to ensure that:

- the Board and its members are reviewed and are working effectively;
- the Board has a balance of skills appropriate to directing the BFI business, as set out in the Corporate Governance in central government departments: code of good practice 2011;
- Board members are fully briefed on terms of appointment, duties, rights and responsibilities;



- when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible minister is advised of BFI needs when Board vacancies arise;
- he or she assesses the performance of individual Board members when being considered for re-appointment;
- there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

## **7. INDIVIDUAL BOARD MEMBERS' RESPONSIBILITIES**

### **7.1 Individual Board members should:**

- comply at all times with the Board Members' Code of Practice and with the rules relating to the use of public funds and to conflicts of interest;
- 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 the Board's rules on conflicts of interest and the acceptance of gifts and hospitality;
- act in good faith and in the best interests of the BFI.

## **8. PUBLICATIONS AND INFORMATION STRATEGY**

### **8.1 The BFI will have responsibility for contributing to the Government's system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. The BFI will:**

- release data on its administrative expenditure and provide information on how the organisation is run;
- release data on the resources that are spent on programmes, policy and procurement;
- provide information on the delivery and outcomes of major programmes and the impact of its policies on society; and,
- provide timely and accurate information required for Parliamentary Questions, responses by Chief Executives to Parliamentary Questions and contributions to Ministerial and public correspondence. The BFI will be responsible for responding to requests under the Freedom of Information Act within the statutory time limit.

### **8.2 Specifically, the BFI shall publish or cause to be published, as a minimum, the following documents and information:**

- an annual report and resource accounts (see paragraphs 8.4-8.6);
  - any other statutory or BFI-specific reports, for example relating to any BFI owned subsidiary bodies such as Big Screen Ltd;
  - an annual statement of the BFI's corporate governance arrangements.
- 8.3 The BFI shall publish other information as required by the Department in the interests of transparency and as communicated from time to time.
- 8.4 The BFI must publish an annual report of its activities together with its audited accounts after the end of each financial year. The BFI shall provide the Department its finalised (audited) accounts before the Parliamentary Summer Recess each year.
- 8.5 The annual report and accounts must:
- cover any corporate, subsidiary or joint ventures under its control;
  - comply with the Treasury's Financial Reporting Manual (FRoM) where this does not conflict with charitable accounting requirements in the Statement of Recommended Practice (SORP);
  - contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
  - outline main activities and performance during the previous financial year and set out in summary form forward plans.
- 8.6 The report and accounts shall be laid in Parliament and made available on the BFI's website, in accordance with the guidance in the FRoM and SORP. The BFI should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FRoM and SORP.
- 8.7 Additionally the BFI will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the public to: (i) see progress against activity which the BFI has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and (iii) consider whether the way in which the body operates gives rise to any issues around fairness.
- 8.8 The BFI is named as a producer of Official Statistics under The Statistics and Registration Services Act 2007. As such, BFI is required to adhere to the Code of Practice for Official Statistics, to have in place a lead official for statistics, and is encouraged to publish a statement of compliance on its website. The DCMS Head of Profession is available to provide further advice and guidance on statistical

issues, and is responsible for ensuring the quality and professional integrity of the statistics. (Please see Annex A for links to guidance.)

8.9 Where BFI conducts or commissions social, economic or operational research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. BFI should nominate a lead contact for research and inform the Head of the DCMS Evidence and Analysis Unit of planned and published research. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

## **9. INTERNAL AUDIT**

9.1 The BFI shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS);
- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an Audit Committee of its Board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the BFI Head of Internal Audit's opinion on risk management, control and governance as soon as possible to the sponsor department; and
- maintain records of, and prepare and forward to the Department an annual report on fraud and theft suffered by the BFI and notify DCMS of any unusual or major incidents as soon as possible.

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

## **10. EXTERNAL AUDIT**

10.1 The Comptroller & Auditor General (C&AG) audits the BFI annual accounts. Ministerial approval must be given before the C&AG can sign off the accounts.

10.2 In the event that the BFI has set up and controls subsidiary companies:

- the BFI will ask (or will have asked) HM Treasury to designate the company as either profit making or non-profit making;
- where HM Treasury determines that the company is non-profit making, it will be (or will have been) included in a GRAA Order, which will make (or will have made) the C&AG its statutory auditor;

- where HM Treasury has determined that the company is non-profit making, the company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued;
- where HM Treasury determines that the company is profit making, it should either appoint the C&AG when its audit contract next comes up for renewal or, where they are required to go out to tender for audit services, the C&AG should be invited to compete. Where the C&AG is not appointed, the company must clearly explain the reasons for selecting a different auditor to DCMS.

### 10.3 The C&AG:

- will consult the Department and the BFI on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the BFI;
- will share with DCMS information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within the BFI;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.4 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the BFI has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the BFI shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## 11. RIGHT OF ACCESS

11.1 The Department has the right of access to all BFI records and personnel for any purpose including, for example operational investigations .

## **12. MANAGING PUBLIC MONEY AND OTHER GOVERNMENT-WIDE CORPORATE GUIDANCE AND INSTRUCTIONS**

12.1 Unless agreed by the Department and (as necessary) HM Treasury, the BFI shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to DCMS in the first instance. A list of guidance and instructions with which the BFI should comply is in **Annex A**.

12.2 Once the overall budget has been allocated by DCMS - and subject to any restrictions imposed either by statute, the responsible minister's instructions, or the delegated limits outlined within this document - the BFI shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the BFI shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- the BFI shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits;
- the BFI shall provide DCMS with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require;
- The BFI shall comply with any additional requirements notified to them by the Department, for instance on spending controls or delegated authorities [subject to the Trustees' obligation to fulfil their primary charitable duties].

## **13. RISK MANAGEMENT**

13.1 The BFI shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with Treasury guidance. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

## **14. BUSINESS PLANNING**

14.1 To operate its business effectively, the BFI should produce management planning and information documents covering at least three financial years ahead. These may take the form of strategic or corporate plans (for three years ahead), and

should include a business plan (one year ahead). The first year of the planning document can include the business plan incorporated as a single document.

- 14.2 The Department should be sent copies of each of the completed planning documents. The Department may draw on these plans in agreeing targets and measures to be incorporated in subsequent agreements, and in determining pay and staffing issues. These plans should be made available to the public, via the internet if possible.
- 14.3 The business plan should include a forecast of income and expenditure suitably classified by activity and key objectives, taking account of guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. These forecasts should represent the BFI's best estimate of its available income, including any grant or grant in aid or any other funding within the BFI.

## **15. BFI STAFF**

- 15.1 Within the arrangements approved by the responsible minister the BFI will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
  - the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
  - 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.
- 15.2 Any proposal by the BFI to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office under the Civil Service Compensation Scheme or an analogous scheme, requires the prior approval of the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money and will require Treasury approval.
- 15.3 BFI staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DCMS. These terms and conditions will be subject to an agreed annual pay negotiating remit and should be in line with the current Public Sector pay policy guidelines issued by the Treasury. The remit will be subject to the agreement of the DCMS. The BFI has no delegated power to amend these terms and conditions.
- 15.4 Managing Public Money warns public sector organisations against engaging in artificial tax avoidance. This is always regarded as a novel and contentious use of

public resources. The BFI shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices.

## **16. REVIEW**

16.1 The BFI may be reviewed periodically by DCMS in accordance with:

- the business needs of DCMS and of the BFI;
- Cabinet Office guidance;
- Direction for use of National Lottery funding; and
- in accordance with any legal requirements.

## **17. ARRANGEMENTS IN THE EVENT THAT AN ARM'S LENGTH BODY (ALB) IS WOUND UP**

17.1 In the event of the decision being made to abolish the Royal Charter status of the BFI, and/or to remove its role as a lottery distributor, the BFI will be required to wind-up the activities related to this publicly funded work [as soon as practicable and in accordance with the timetable and strategy agreed with the Department]. BFI's work as an independent charity will not be affected by any decision to remove its public functions and its public funding.

17.2 The draft wind-up plan should be forwarded to DCMS [as soon as practicable / in accordance with the agreed timetable].

17.3 DCMS shall put in place arrangements to ensure that, when an ALB is wound up, this shall be done in an orderly manner. In particular DCMS should ensure that where an ALB is wound up, the assets and liabilities of the body are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department.) To this end, the Department, in conjunction with the ALB, shall:

- ensure that procedures are in place in the ALB to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- where a body is audited by the National Audit Office; ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit and that funds are in place to pay for such audits;
- arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the Permanent Secretary should sign.

17.4 The ALB shall provide the Department with full details of all agreements where the ALB or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to the ALB.

## **18. BUDGETS AND GRANT-IN-AID**

18.1 Expenditure against resource and capital budgets must be recorded and monitored by the BFI in accordance with the Treasury's Consolidated Budgeting Guidance (or its successor). These are the net expenditure limits for the BFI in each year - including any use of reserves for which budgetary cover has been given - and must be adhered to. Net expenditure above these limits may not be committed until or unless a revised budget has been agreed in writing by the Department.

18.2 The BFI may not breach the component parts of the capital and resource budgets (e.g. core capital). Approval must be sought in advance and in writing if the BFI wishes to spend more in one category and less in another. In all these matters, the Department may be required to refer a decision to the Treasury before granting approval.

18.3 Grant-in-aid is the amount payable by the Department to the BFI in each year and is independent of the budget figures, although derived from them. It does not include depreciation or any budgetary cover allocated by the Department for the BFI's use of its own reserves.

## **19. GRANT-IN-AID AND ANY RING-FENCED GRANTS**

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

19.2 The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The BFI will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the BFI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the Department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

19.3 As a minimum, the BFI shall continue to provide the Department with monthly information via its grant in aid claims that will enable the Department satisfactorily to monitor:



- the BFI's cash management;
- its draw-down of grant-in-aid;
- forecast outturn;
- other data required for the Treasury's Combined On-line Information System (COINS) or its successor.

## **20. REPORTING PERFORMANCE TO THE DEPARTMENT**

20.1 The BFI 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 budgets and targets set out in the corporate and business plans. The BFI's performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

## **21. DELEGATED AUTHORITIES**

21.1 The BFI shall obtain the Department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the BFI's annual budget as approved by the Department;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- redirecting funding provided by the Department for one purpose to other purposes;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## **22. CAPITAL PROJECTS**

22.1 All capital projects, whether already underway or beginning during this period, are subject to the Department's investment appraisal processes. Any capital expenditure that exceeds the BFI's delegated capital limit must be referred to the DCMS Investment Committee for approval at three stages of development, as set out in guidance issued by the Department. The figure used in calculating whether the costs exceed the delegated limit is the lifetime cost of the capital project, including non-exchequer funding and any increased running costs ensuing from it.

22.2 Where projects are reliant on donations or sponsorship that have yet to be confirmed, demonstration of a staggered approach to completion (i.e. that takes account of the funds secured to date before proceeding with each stage) will be more likely to receive approval to proceed.

22.3 When considering the case for capital projects, the BFI is expected to use the Treasury's Green Book methodology (or its successor), as modified or enhanced by guidance from DCMS. This is the case regardless of whether a capital project requires DCMS Investment Committee approval. The Department reserves the right to receive copies of business cases for projects below the BFI's delegated limit or elements of it, such as the Net Present Value calculation.

## **23. PROCUREMENT**

23.1 The BFI shall:

- comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by the Department;

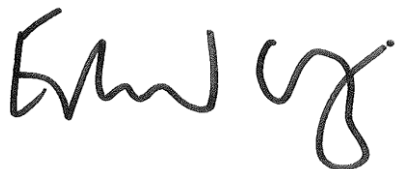
## **24. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE**

24.1 Subject to the requirements of the Charity Commission, the BFI shall comply with the documents listed in ANNEX A, or their successors.

24.2 Failure to comply:

The Department may reduce the BFI's expenditure limit or withhold grant in aid, or amend delegated limits, if any condition or requirement set out in this combined document or the instructions and guidance listed above is not fulfilled.

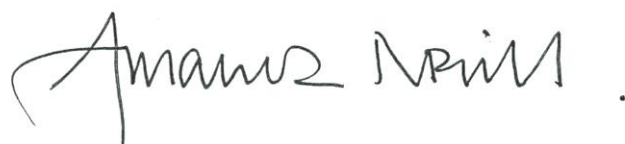
Signed by:



**On behalf of the Secretary of State for Culture, Media and Sport**



**Greg Dyke**  
**Chair of BFI**



**Amanda Nevill**  
**Accounting Officer of BFI**

**Date: 9 November 2012**

## ANNEX A

### COMPLIANCE WITH GUIDELINES AND INSTRUCTIONS

The BFI shall comply with the following general guidance documents and instructions:

- Appropriate adaptations of sections of the Corporate Governance Code for Central Government Departments;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)
- Managing Public Money (MPM);  
[http://www.hm-treasury.gov.uk/psr\\_mpm\\_index.htm](http://www.hm-treasury.gov.uk/psr_mpm_index.htm)
- Consolidated Budgeting Guidance;  
[http://www.hm-treasury.gov.uk/psr\\_bc\\_consolidated\\_budgeting.htm](http://www.hm-treasury.gov.uk/psr_bc_consolidated_budgeting.htm)
- Government Internal Audit Standards;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_gia\\_guidance.htm](http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm)
- Appropriate adaptations of the Audit Committee Handbook;  
[http://www.hm-treasury.gov.uk/audit\\_committee\\_handbook.htm](http://www.hm-treasury.gov.uk/audit_committee_handbook.htm)
- Management of Risk: Principles and Concepts;  
[http://www.hm-treasury.gov.uk/d/orange\\_book.pdf](http://www.hm-treasury.gov.uk/d/orange_book.pdf)
- Treasury guidance on Managing the Risk of Fraud;  
<http://www.hm-treasury.gov.uk/fraud>
- Government Financial Reporting Manual (FReM);  
[http://www.hm-treasury.gov.uk/frem\\_index.htm](http://www.hm-treasury.gov.uk/frem_index.htm)
- If applicable, the Charities SORP;  
[http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Accounting\\_and\\_reporting/Preparing\\_charity\\_accounts/sorpfront.aspx](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/sorpfront.aspx)
- Fees and Charges Guide, Chapter 6 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_ch6.pdf](http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf)
- Banking guidance, annex 5.7 of MPM;  
[http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- Relevant Dear Accounting Officer letters;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_dao\\_letters.htm](http://www.hm-treasury.gov.uk/psr_governance_dao_letters.htm)
- Regularity, Propriety and Value for Money;  
[http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm)
- The Parliamentary Ombudsman's Principles of Good Administration;  
<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>
- Consolidation Officer Memorandum, and relevant DCO letters;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);  
<http://www.justice.gov.uk/guidance/freedom-and-rights/freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Annex A of Public Bodies: A Guide for Departments (Cabinet Office);  
[http://www.civilservice.gov.uk/Assets/5\\_public\\_body\\_staffv2\\_tcm6-2484.pdf](http://www.civilservice.gov.uk/Assets/5_public_body_staffv2_tcm6-2484.pdf)
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;  
[http://www.hm-treasury.gov.uk/wga\\_guidance\\_index.htm](http://www.hm-treasury.gov.uk/wga_guidance_index.htm)
- Guidance on major projects issues by the Major Projects Authority;

- <http://www.cabinetoffice.gov.uk/content/major-projects-authority>
- The Statistics and Registration Services Act 2007;  
<http://www.legislation.gov.uk/ukpga/2007/18/contents>
- The Code of Practice for Official Statistics;  
<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions, controls and guidance issued by DCMS, including Lottery directions.

Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government.

## **ANNEX B**

### **DIRECTIONS ISSUED TO THE BRITISH FILM INSTITUTE UNDER SECTION 26(1) OF THE NATIONAL LOTTERY ETC. ACT 1993**

The Secretary of State for Culture, Media and Sport, in exercise of the powers conferred on him by section 26 (1) of the National Lottery etc. Act 1993 and having consulted the British Film Institute pursuant to section 26(5) of that Act, hereby gives the following directions:

- 1.** In these Directions any reference to a section is a reference to a section of the National Lottery etc. Act 1993.
  
- 2.** In determining the persons to whom, the purposes for which and the conditions subject to which it distributes any money under section 25(1), the British Film Institute shall take into account the following matters:
  - A.** The need to involve the public and local communities where reasonably practicable, in making policies and setting priorities.
  - B.** The need to increase access and participation for those sections of society who do not currently benefit from opportunities available in the United Kingdom.
  - C.** The need to inspire children and young people, awakening their interest and involvement in the activities covered by the good cause.
  - D.** The need to improve community cohesion and/ or social inclusion.
  - E.** The need to encourage new talent, innovation, and excellence and help people to develop new skills.
  - F.** The need to ensure that money is distributed for projects which promote public value and which are not intended primarily for private gain.
  - G.** The need to further the objectives of sustainable development.
  - H.** The importance of ensuring equality of opportunity and the desirability of reducing economic and social deprivation and of ensuring that all areas of the United Kingdom have access to the money distributed.
  - I.** The desirability of the British Film Institute working jointly with other organisations, including other distributors.
  - J.** The need to ensure that all those receiving Lottery money acknowledge it using the common Lottery branding.

- K.** The need to require an element of partnership funding, or contributions in kind from other sources, to the extent that this is reasonable to achieve for different kinds of applicants in particular areas.
- L.** The need (a) for money distributed to be distributed to projects only where they are for a specific, time-limited, purpose, (b) to ensure that the British Film Institute has the necessary information and expert advice to make decisions on each application and (c) for applicants to demonstrate the financial viability of projects.
- M.** Where settings up costs are sought, the need for a clear business plan to show how any running and maintenance costs will be met for a reasonable period.
- N.** The need to ensure that film is central to the lives of UK citizens, and to improve the quality of British film and raise its profile in the marketplace, by:
- Expanding education and learning opportunities and boosting audience choice across the UK;
  - Supporting the future success of British film;
  - Unlocking film heritage for everyone in the UK to enjoy.
- O.** Where awards are made in relation to feature film production or distribution projects the British Film Institute should take into account:
- A clearly identified target audience for their projects
  - The need for recipients of awards for film production to pay the set contribution towards the Skills Investment Fund (SIF)
  - The need for recipients of awards to comply with recognised industry best practice and agreements relating to pay and the employment of trainees
  - The need to conserve and expand the UK's film heritage by requiring the deposit of Lottery funded productions and other selected material in the collections of the British Film Institute or regional archives.
  - The need for feature film development and production projects to be capable of qualifying as 'British films' in accordance with the procedures set out by the DCMS;
  - The need to improve public access to film through the use of audio description and/or subtitling for the hard of hearing.