

FINANCIAL REGULATIONS

Contents

	Page
1. Introduction	1
2. Corporate Plan and Budget	3
3. Expenditure - Commitments and Competitive Requirements	4
4. Capital Expenditure and Fixed Assets (including Disposals)	8
5. Other Expenditure	8
6. Authorization of Expenditure and Payments	10
7. Income and Receipts	11
8. Employment of Staff	13
9. Miscellaneous	15

Appendices

1. Glossary	18
2. Insurance Cover	19

1. INTRODUCTION

The Code of Conduct

1.1 The Code of Conduct sets out the general behaviour expected by the Museum of its staff. The Financial Regulations are a key document in enabling staff to operate within the framework of the Code of Conduct.

Objectives of the Financial Regulations

1.2 The objectives of the Financial Regulations are to safeguard the Natural History Museum assets, promote value for money, protect Trustees and staff from claims of maladministration and prevent fraud, waste and irregularities.

Legal framework

1.3 The Museum is responsible to Parliament both directly and through the Secretary of State for Culture, Media and Sport. The relationship between the two bodies is established in the Financial Memorandum issued by the Department for Culture, Media and Sport (DCMS). Copies of the Financial Memorandum can be obtained from the Director of Finance.

Responsibilities of the Accounting Officer

1.4 Under the Financial Memorandum, the Accounting Officer (see glossary) of DCMS has appointed the Museum Director as the Accounting Officer for the Museum.

1.5 The Accounting Officer is responsible to Parliament for ensuring the propriety and regularity of public finances for which he/she is answerable, for keeping proper accounts, for prudent and economical administration, for the avoidance of waste and extravagance, and for the efficient and effective use of all the resources in his charge.

1.6 The Financial Regulations are a prime document in the effective achievement of the Accounting Officer's responsibilities.

Compliance with Financial Regulations

1.7 The regulations apply to all persons employed by the Museum including those engaged directly as a member of staff, through an agency, as a casual employee, as a volunteer, as a grant funded researcher, or engaged as a consultant / contractor with the ability to engage in transactions on behalf of the Museum.

1.8 All areas of Museum activity are covered by these Regulations (i.e. grant in aid funded, Trading Company and other income generation activities, Special Funds, scientific consultancy and grants).

1.9 It is the responsibility of Heads of Department to ensure that their staff and others are aware of these regulations and comply with them.

Unusual circumstances and interpretation of Financial Regulations

1.10 For situations not covered by these regulations or where clarification and interpretation is required guidance should be sought from the Director of Finance or the Financial Controller.

Breach of Financial Regulations

1.11 All breaches of the regulations will be investigated by the Director of Finance. Any significant breaches will be referred to the Museum Director, the Head of Internal Audit, and Audit Committee. The Museum Director will consider the necessary course of action to be taken, which may, in certain circumstances, include taking disciplinary action in accordance with the provisions of the Staff Handbook.

Fraud Policy

1.12 The Museum has a fraud policy, which is contained in the Staff Handbook. When any fraud or attempted fraud is discovered or suspected it must be reported immediately to the appropriate Head of Department and the Head of Internal Audit. All staff are responsible for reporting details wherever they suspect that there is fraud or improper use of public funds.

Responsibilities of the Director of Finance

1.13 Unless agreed in writing, the Director of Finance or a specifically authorized nominee will be responsible for the following activities:

a) Banking

Making arrangements with the Museum's bankers for the operation of such accounts as are considered necessary. Museum staff may not operate or become signatories of Museum bank accounts without the prior approval of the Director of Finance.

b) Taxation

Liaising on the Museum's behalf with the relevant Government agencies on all taxation matters including those relating to VAT and Corporation Tax.

c) Insurance

Subject to the limits of the Financial Memorandum, arranging and periodically reviewing insurance as considered necessary following consultation with senior management with regard to the Museum's assets and activities (see Appendix 2 for details of insurance cover).

d) Payments to creditors

Making payment to all bona fide creditors of the Museum with due regard to the best use of the Museum's resources and the government's policy on prompt payment.

e) Income

Making arrangements for the collection of all monies due to the Museum. The Finance Department must be informed of all demands for monies due to the Museum.

f) Statutory Accounts and Financial Returns

Preparing, in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport and best accounting practice, Statutory Accounts for the approval of the Board of Trustees, and making arrangement for the statutory audit.

Delegation by Heads of Department

1.14 Within these regulations, where specific authority or approval is required of a Head of Department this may be delegated to the budget holder for that area provided that:

- (a) the receipt or payment is within the current budget provision and all internal and DCMS approvals have been obtained;
- (b) the delegation to the budget holder is in writing and has been copied to the Director of Finance;
- (c) the receipt or payment in question is less than £50,000; and
- (d) the budget holder is of Band 5 or above.

Financial limits – VAT

1.15 The financial limits detailed within these regulations are exclusive of value added tax.

Financial records

1.16 Prime financial documents and records (e.g. signed contracts, invoices, receipts documentation, accounting records, specifications, invitations to tender, tender evaluations) must be kept for at least 7 years.

2. CORPORATE PLAN AND BUDGET

Budget preparation

2.1 The Museum Director will submit a Corporate Plan and Annual Budget to Trustees for approval.

2.2 The Director of Finance, on the basis of submissions prepared by other Heads of Department will co-ordinate the budget process.

2.3 The budgets will be prepared in accordance with the Museum's aims and strategies set out in the Corporate Plan.

Budgets will be prepared for:

Net Trading income (sales, cost of sales and running costs)

Other income contributions

Museum running costs expenditure - salary and non-salary

Museum capital expenditure

Staffing

2.4 The staffing budget will be prepared by the Director of Finance and the Director of Human Resources based on existing complement and amendments agreed by the Museum Director.

Budget holder responsibility and budgetary control

2.5 The Museum Director will nominate Heads of Department as budget holders responsible for specific activities and areas of the budget.

2.6 Heads of Department will be supplied with copies of their approved budgets against which they will be expected to monitor and control income and expenditure. Heads of Department may delegate responsibility for particular areas of the budget, although they remain ultimately responsible for that budget.

Over and underspends against budget

2.7 Heads of Department must notify the Director of Finance in writing as soon as it is probable that the budget allocated to total running costs (annual budget) or a capital project (total budget) will be overspent, or underspent by £10,000 or 10 per cent whichever is the smaller.

2.8 Any action that will commit the Museum to expenditure in excess of the approved budget requires the prior approval of the Museum Director and the Director of Finance. Any action that will commit in excess of DCMS approval limits must also have the prior approval of DCMS.

Virements

2.9 Heads of Department are responsible for ensuring that their budget is not overspent and may make adjustments (virements) up to £25,000 as they deem appropriate between non-salary running

costs budget headings. These adjustments must be notified to the Management Accounting Section in the Finance Department.

2.10 Non-salary running cost virements which total £25,000 or more for the year require the prior approval of the Director of Finance.

2.11 Virements between salary and non-salary running costs (or vice versa) require the approval of the Director of Finance.

2.12 Virements between capital budgets and running costs (or vice versa) that total £5,000 or more for the year require the approval of the Director of Finance. Virements that total less than this for the year must be notified to the Management Accounting Section in Finance.

2.13 Other running costs budgets may be ringfenced (e.g. front of house committee) and virements to and from such budgets require the approval of the Director of Finance. There is no de minimis level.

2.14 Budget holders will be required to update their budgets formally during the year in accordance with a timetable specified by the Director of Finance.

3. EXPENDITURE - COMMITMENTS AND COMPETITIVE REQUIREMENTS

3.1 As a general principle, staff should accept the quotation or tender received for the procurement of all goods and services that represents the best value for money. This should take both monetary value and qualitative factors into consideration.

3.2 A Procurement Policy and Guidance document on the procurement process has been produced by the Procurement Manager and is available on the Intranet.

3.3 The Procurement Manager must be consulted for advice on all procurement matters likely to result in expenditure of £25,000 and above in total (not per annum) before the procurement process commences. The Procurement Manager must also be consulted for purchases that have a strategic impact, irrespective of value (e.g. EPOS, admissions software).

3.4 Staff who sign contracts and purchase orders are responsible for ensuring that all competitive requirements have been met and that, where required, consultation with the Procurement Manager has taken place.

Assessment of need and formalizing the requirement

3.5 In accordance with the Procurement Policy and Guidance document, an assessment of need reflecting the value and strategic importance of the purchase should be completed for all expenditure of £5,000 and above.

3.6 For non-strategic expenditure below £5,000 no formal assessment is required. An authorized purchase order will suffice.

3.7 For expenditure between £5,000 and below £25,000, as a minimum a brief assessment of need should be prepared and authorized by an appropriate staff member in accordance with authorization limits held by the Finance Department.

3.8 For expenditure over £25,000 a business case should be prepared and authorized by an appropriate staff member in accordance with authorization limits held by the Finance Department.

Authority to commit expenditure

3.9 No expenditure is to be committed either orally or in writing unless relevant internal and, where necessary, DCMS authority and approvals have been obtained and there is sufficient provision in the Museum's approved budget.

3.10 Only authorized signatories may commit expenditure. A schedule of the names, positions and financial limits of authorized signatories will be held by the Finance Department who will use this list to ensure orders and invoices are correctly certified and authorized. Heads of Department must inform the Finance Department immediately an authorized signatory leaves the Museum or responsibilities change.

3.11 All expenditure to be incurred must be the subject of an official Museum purchase order, an authorized contract or an authorized agreement. Where oral orders are given, these must be confirmed in writing within three working days by the issue of an official order marked 'confirmation order'. Departments must keep a copy of all purchase orders issued.

The use of centrally negotiated contracts and arrangements

3.12 The Purchasing Section in the Estates Department are negotiating a number of central contracts with suppliers covering goods and services which are used Museum-wide. These contracts, published on the Intranet, must be used wherever possible both to reduce administrative time and costs, and to ensure the highest possible discounts and quality of service. Where a purchaser has difficulties with a central contract and wishes to use an alternative supplier the Procurement Manager must be consulted in advance.

Competition

3.13 For expenditure less than £5,000, no competition is required but staff have a duty to achieve value for money and to keep appropriate documentary evidence of this. (e.g. file note, note of telephone calls, comparisons from catalogues, suppliers publicised rates).

3.14 Expenditure from £5,000 to less than £25,000 for a one off purchase or for the lifetime of a contract requires a minimum of three competitive quotations or estimates in writing. All quotations documentation should be kept on file. Formal tenders may be used at the discretion of the budget holder.

3.15 Expenditure from £25,000 to less than £250,000 for a one-off purchase or for the lifetime of a contract requires a minimum of three competitive tenders. The Procurement Manager must be consulted for all such contracts before the tender process commences. Details of all contracts should be sent to the Procurement Manager.

3.16 Expenditure of £250,000 and above for a one-off purchase or for the lifetime of a contract requires a minimum of five competitive tenders. The Procurement Manager must be consulted for all such contracts before the tender process commences. Details of all contracts should be sent to the Procurement Manager.

3.17 The requirements in 3.13 - 3.16 should be treated as minima and tender lists should be of sufficient size to take into account the possibility of submissions not being made. Works, consultancies or other general expenditure must not be disaggregated to circumvent regulations 3.13 - 3.16. Where it is not possible to obtain the required number of tenders, the matter should be referred to the Director of Finance for resolution.

3.18 Competitive tenders for expenditure of £25,000 or above should follow a formal tender process. Guidance should be sought from the Procurement Manager.

European Union Procurement Legislation

3.19 The Museum must comply with the European Community Procurement Rules. The rules set out detailed procedures for the award of contracts where the value in total (not per annum) exceeds specific thresholds. The rules are complex in this area and failure to comply is a breach of the law that may lead to financial penalties being imposed.

3.20 All works, supplies and services contracts above certain thresholds must be advertised in the Official Journal of the European Community and an appropriate national journal. Announcement of bids received and contracts awarded must also be published. The procedure should be applied when the estimated value is within 20 per cent of the relevant threshold. From 1 January 2000 the thresholds are £3,611,395 for works contracts and £83,896 for supplies and services.

3.21 Further details are available in the Procurement Policy and Guidance document and advice should be sought from the Procurement Manager.

3.22 All purchases requiring advertising in the Official Journal must be notified to the Procurement Manager who will arrange the advertisement.

Single sourcing and tenders

3.23 Single tender action is where only one supplier is asked to respond to a need. It should only be used in exceptional circumstances.

3.24 Staff should pre-plan tender situations to minimize the possibility of single tender actions and should take advice from the Procurement Manager before the procurement process commences. The Procurement Manager must be notified of all single tender awards of £5,000 or more.

3.25 Where tender or quotation competition is not practicable e.g. supply of specialist equipment or services, expenditure of £5,000 or more but under £50,000 requires the prior approval of the Head of Department, irrespective of any delegation.

3.26 Heads of Department should obtain confirmation that advice has been sought from the Procurement Manager for all single source purchases of £5,000 or more.

3.27 Single tender expenditure of £50,000 or more requires the prior approval of the Director of Finance. The reason for the single sourcing or tender must be detailed in writing when the approval is sought.

Monopoly supply organizations

3.28 The limits in paragraphs 3.13 to 3.16 do not apply to a monopoly supply organization, such as a former public utility. However, staff are still charged with a responsibility to achieve value for money.

Professional, advisory, term and schedule of rates appointments

3.29 These contracts relate to professional, advisory, term or schedule of rates appointments for which the eventual level of work and therefore expenditure cannot be accurately pre-determined.

3.30 For contracts of this type which are not anticipated to exceed £250,000 over the life of the appointment, three competitive submissions are required. Above this financial limit, at least five competitive submissions are required.

3.31 Advice from the Procurement Manager must be sought before the tender process commences.

Financial status of contractors and suppliers

3.32 Where a contractor or supplier will have an ongoing obligation rather than just being a single item supplier, the financial status of the contractor or supplier must be checked and evaluated in advance in conjunction with the Finance Department (Financial Controller) before awarding contracts of £25,000 and above. This typically includes construction contracts and where a supplier will be providing maintenance support of equipment purchases (e.g. software purchases). Company searches which can supplement the analysis, but which should not be used as a substitute for the evaluation may be obtained from the Payments Office Manager in the Finance Department.

Tender evaluation

3.33 Where formal tendering has taken place (for purchases of £25,000 and above) the tenders should be subject to an evaluation process by an evaluation team before award. The Procurement Manager and the Procurement Guidance document should be consulted for advice on the matters to be considered during the evaluation process.

3.34 The evaluation team should produce an evaluation report setting out, as a minimum, summary of the process followed, details of the bids received, and rationale for the preferred choice of supplier. The report should be submitted to and authorized by an appropriate authorizing signatory prior to awarding the contract either orally in writing.

Post tender negotiation

3.35 Post tender negotiations (PTN) to optimise value for money may be undertaken once a preferred supplier has been identified from the evaluation process. PTN must not put other tenderers at a disadvantage or compromise the tendering process. PTN may not be appropriate where the expenditure exceeds the EC procurement thresholds. The Procurement Manager should be consulted before commencing PTN for expenditure of £25,000 and above.

Award of contracts

3.36 Contracts may be awarded by the relevant member of staff subject to:

- (a) A formal evaluation for those awards of £25,000 and above;
- (b) the advice of the Procurement Manager for those awards of £25,000 and above;
- (c) the appointment representing the best value for money. If this is not the lowest appraised tender, Head of Department approval is required where it is for expenditure less than £50,000. Director of Finance approval is required for £50,000 or more, and the Museum Director for contracts of £250,000 or more;
- (d) sufficient budget allocation to accommodate the estimated expenditure (including an allowance for contingencies);
- (e) the requisite number of conforming tenders having been received or the approval having been given by the Director of Finance to a reduced number of tenders;
- (f) the existence of relevant documentation to justify awards to single tenders or limited tenders, and to other than the lowest tender.

Signing of contracts

3.37 Contracts up to £50,000 may be signed by the appropriate budget holder in accordance with authorizing signatory levels and with due regard to the regulations concerning single tenders and non-lowest appraised tenders.

3.38 Contracts over £50,000 must be signed by the Director of Finance.

3.39 Contracts over £250,000 must be signed by the Director of Finance and the Museum Director.

3.40 Requests for the Director of Finance or the Museum Director to sign contracts must be accompanied by a signed statement from the Head of Department setting out the tendering procedures followed and the reason for the award to the particular supplier.

Follow-on appointments

3.41 Where a consultant or contractor is required to undertake follow-on work directly related to a previous contract which was awarded to the best value for money appraised tenderer on a competitive basis and the Museum believes the consultant to be the best equipped for this reason, reappointment without competitive tender is permitted subject to the formal approval of the Director of Finance and the provisions of the EC Public Procurement Regulations. Where a proposed follow-on appointment does not satisfy the above criteria, then the appointment should be tendered in accordance with regulations 3.13 - 3.16.

Contract preparation

3.42 Consultancy appointment contracts should, where appropriate, conform to the model contracts developed by the Treasury. However all contracts must have, as a minimum, specific clauses in respect of performance measurement, time-scale, objectives, required output and where appropriate, professional indemnity insurance, liquidated damages and costs. Contracts must be signed and dated before work commences unless the delay relates to completion of legal documentation in which case any delay of over 20 days from work commencing must be reported to the Director of Finance. Guidance and model standard contracts are available from the Procurement Manager.

Contract monitoring

3.43 A budget holder appointed by the relevant Head of Department is responsible for keeping a full record of all instructions given to consultants and contractors and for ensuring financial control.

3.44 The budget holder is responsible for the issue of contract variation documents. Advice should be sought from the Procurement Manager.

4. CAPITAL EXPENDITURE AND FIXED ASSETS (INCLUDING DISPOSALS)

Definition

4.1 Capital expenditure is defined as the purchase of an asset or investment in a project / capital works which enhances the asset or project and has a useful life of greater than one year. This includes permanent exhibitions.

4.2 For accounting purposes, the expenditure is capitalised, when accumulated with any other associated expenditure, it is greater than or equal to £2,000. This limit has been set to comply with external audit requirements.

Approval

4.3 Approval from DCMS is required for capital works projects estimated to cost equal to or greater than £2m (the authorized limit). Treasury approval is required for all works estimated to cost equal to or greater than £6m.

4.4 Appropriate option appraisal procedures are required for all capital works, even those costing less than the authorized limit. Guidance on option appraisal procedures can be obtained from the Director of Finance.

4.5 Tendering and approval of the capital works or asset purchase must be in accordance with all requirements of Financial Regulations section 3.

Fixed Assets

4.6 The Finance Department (Financial Accounts) maintain a fixed asset register for accounting purposes based on notification from departments. Finance must be notified of any new fixed asset expenditure over £2,000 (i.e. purchases of equipment or works contracts) on the appropriate fixed asset form. The Finance Department must also be notified of the disposal of fixed assets whether as a sale or disposal as scrap.

4.7 The fixed asset register will be issued annually to Heads of Department for confirmation of the existence of the assets held.

4.8 Heads of Department are required to maintain their own register of desirable and portable assets below the £2,000 threshold (e.g. computer equipment).

Disposal of assets

4.9 Items suitable for disposal must be notified to the Director of Estates who will arrange for disposal whether by sale or auction to staff, sale to an external body or as scrap in accordance with the procedures in the Procurement Policy and Guidance document. Notification should also be given to the Director of Finance.

4.10 Authorization in accordance with the authorized signatory list must be obtained before disposal of assets or equipment takes place.

4.11 DCMS approval is required for the disposal of assets that are valued over £100,000.

4.12 DCMS approval is required for the disposal of land and buildings.

4.13 It is prohibited to dispose of objects that form part of the collections, except as detailed in the British Museum Act 1963.

5. OTHER EXPENDITURE

Business Expenses

5.1 Reimbursement may be claimed for all reasonable business expenses, in particular travel, subsistence and hospitality, which are necessarily incurred by staff when engaged on official Museum business.

5.2 All business expense claims must be completed and authorized in accordance with the Business Expenses Guidelines.

Museum business credit cards

5.3 By agreement of the Director of Finance certain staff may be issued with a credit card for business expenses and other museum expenditure. The card may only be used for the purposes specifically agreed with the Director of Finance.

5.4 All cardholders must agree to the 'conditions for use' issued to the cardholders prior to receipt or renewal of the card and detailed in the Business Expenses Guidelines.

5.5 Any payments charged to the card must be justified and in accordance with the any relevant purchasing and business expense regulations.

5.6 Abuse of the conditions of use will result in the card being withdrawn.

Foreign currency / travellers cheques

5.7 Where staff are issued with foreign currency or travellers cheques they are required in accordance with the Business Expenses Guidelines to account for any expenditure incurred, as far as is practicable produce receipts and return any unused currency (after converting to sterling) or travellers cheques to the Finance Department.

Petty cash

5.8 Petty cash will be kept on an imprest (float) system; the size of the imprest account will be determined by the Director of Finance.

5.9 The petty cash must be held in a secure cash box by a nominated member of staff for each department. The cash box must be stored securely.

5.10 Heads of Department must notify the Cash Supervisor prior to the departure of a petty cash box holder so that a spot check can be performed.

5.11 Payments must be limited to minor and urgent items of expenditure up to £20 and, exceptionally, to such other items as the Head of Department may approve. This includes those items where for practical reasons it would be inappropriate to use an official order. All expenditure must be supported by a receipted voucher, wherever possible, or failing this, a written explanation and authorization.

5.12 All petty cash claims are to be authorized on petty cash authorization slips before payment by staff authorized in accordance with the authorization limits.

5.13 The recipient must sign the petty cash slip on receipt of the cash.

5.14 Minor travelling and subsistence claims (up to £10) may be reimbursed through petty cash held by departments.

5.15 No wages or salaries may be reimbursed through petty cash.

5.16 Income received on behalf of the Museum may not be paid into petty cash but must be brought to the cash desk in the Finance Department for banking (see 7.20).

5.17 The advancing of money for personal purposes, the cashing of cheques, and all forms of borrowing from petty cash are forbidden.

Gifts and hospitality expenditure

5.18 Gifts and hospitality with an estimated value of up to £50 must be approved in advance by the appropriate Head of Department. This includes items such as flowers to staff for special occasions.

5.19 Gifts with an estimated value of £50 to £250 must be approved in advance by the Museum Director.

5.20 Where it is proposed to make a gift with an estimated value in excess of £250, prior approval of the Board of Trustees and DCMS is required.

5.21 The Director of Finance maintains a register of gifts and hospitality given which has an estimated value in excess of £50. All staff must notify the Director of Finance of such gifts given so that they are recorded in the register.

Team building / staff events

5.22 Team building, away days or similar staff development activities require the prior approval of the Head of Department. To qualify as team building, the primary objective should be to improve efficiency and effectiveness and there should be a clear work-related element. Any expenditure whether paid by invoice or reclaimed by an expenses claim form must be authorized by the Head of Department. Team building events that require an overnight stay or which exceed £50 per head require prior approval from the Museum Director.

5.23 Staff events which are not explicitly team building (e.g. retirements, 'reward' events) require prior approval of the Head of Department. Those exceeding £50 in total (not per head) require approval from the Museum Director. Such events may be regarded as a taxable benefit by the Inland Revenue.

Ex gratia payments and donations

5.24 The prior agreement of the Museum Director must be obtained for the payment of all donations, extra contractual, or other ex gratia payments (see Glossary) in excess of £1,000. All ex gratia payments below this level require the Director of Finance's approval. This type of payment must be recorded in the register of losses and special payments maintained by the Director of Finance. Ex gratia payments in excess of £5,000 must not be made without DCMS approval.

6. AUTHORIZATION OF EXPENDITURE AND PAYMENTS

Official Orders

6.1 All expenditure to be incurred that is not included in an authorized contract or agreement must be the subject of an Official Purchase Order or Small Works Order placed against an annual contract for works done on a day work basis. Where oral orders are given, these must be confirmed in writing within three working days by the issue of an Official Order clearly marked to indicate that it is a confirmation order.

6.2 All purchase orders issued to suppliers must contain an authorizing signatory in accordance with the delegated limits agreed with and submitted in writing to the Director of Finance.

6.3 All purchase orders must be raised using the official purchase order system in accordance with the procedures set out in the Purchase Order Manual.

Authorization and delegated limits

6.4 The staff identified below are authorized to commit expenditure, authorize orders and invoices for payment within the limits shown, provided sufficient budgetary provision exists for the proposed expenditure and the competition/tender requirements of these regulations have been adhered to. Two signatories are required (three for £250,000 and above); at least one of which must be nominated by a Head of Department as authorized to sign in accordance with limits agreed with the Director of Finance.

Under £5,000

The appropriate staff of Band 5 or above as determined by the Head of Department.

Under £25,000

The appropriate staff of Band 4 or above as determined by the Head of Department.

Between £25,000 and £49,999

The appropriate staff of Band 3 or above as determined by the Head of Department.

Between £50,000 and £249,999 inclusive

Head of Department and Director of Finance.

£250,000 and above

Head of Department, Director of Finance and the Museum Director.

6.5 Where a Head of Department wishes to appoint staff below the stipulated band to act as a budget holder and/or to authorize payments under £25,000, the Director of Finance will give

approval provided that this is in the interest of the operational efficiency and sufficient financial control is retained.

6.6 Specimen authorizing signatory lists must be submitted to the Finance Department and updated at least annually.

Invoices

6.7 Invoices received in respect of goods and services obtained by the Museum must be checked by the relevant budget holder against orders, agreements or contracts and then certified that the goods and services have been supplied and the invoice is correct as to price.

6.8 The invoice must be stamped with the official authorization stamp.

6.9 Before authorizing an invoice for payment the authorizing signatory must be satisfied that:

(a) work, goods or services to which the invoice relates have been received, carried out, examined, approved and where appropriate conform with the order;

(b) prices, extensions, calculations, trade and prompt payment discounts, other allowances and credits are correct, and the invoice is arithmetically correct;

(c) the relevant expenditure has been properly incurred and is within the relevant budgetary provisions;

(d) the appropriate entries have been made in inventories, stores records or stock books as required;

(e) the price is in accordance with the quotations, contract or current market rate, which is applicable, or is otherwise reasonable;

(f) the invoice has not previously been passed for payment and following a check against outstanding orders is properly payable; and

(g) the invoice has been correctly coded in accordance with the budget holders appropriate cost centres.

6.10 Once authorized the invoice should be despatched to the Payments Section in the Finance Department.

Payment Processing

6.11 All payment processing will be carried out by the Finance Department.

6.12 Payments will be made in accordance with the credit terms offered by the supplier and in accordance with the government's code of practice on prompt payment.

6.13 Automated payment runs will be carried out weekly for the Museum (Thursday) and the Natural History Museum Trading Company (Tuesday) (see Glossary).

6.14 Manual cheques will only be raised in exceptional circumstances and by signed request from the relevant Head of Department.

Copy invoices and photocopies

6.15 Copy invoices and photocopies will only be processed if additionally authorized by the Head of Department, irrespective of value, and the invoice is clearly signed by the authorizing signatory as not previously paid.

Payments in advance

6.16 Payments in advance should only be authorized where it is the customary industry practice (e.g. travel, training courses, seminars).

7. INCOME AND RECEIPTS

7.1 All staff employed by the Museum have a responsibility to ensure that all income which becomes due in respect of work done, services rendered, goods supplied, rents receivable (including rent reviews) and property or fixed assets sold is accounted for and transacted in a proper way.

7.2 This may be done by the issue of a sales invoice or an official receipt.

7.3 When acting on behalf of the Museum in any capacity staff must not receive income, either cheques or cash into personal or Museum bank accounts other than those specifically operated by the Director of Finance. This includes where the Museum may be operating as part of a joint venture. Where this does happen, payment must be made immediately to an appropriate official Museum bank account.

Sales invoice raising

7.4 All monies due for the provision of goods, services, works done, or disposal of property must be the subject of a Museum pre-printed and numbered sales invoice. Invoices should be raised for the Natural History Museum or the Natural History Museum Trading Company as appropriate.

7.5 The pre-printed sales invoice stationery is available from the Debtors Section in the Finance Department. All sections on the invoice should be completed.

7.6 The invoice must be certified by two members of staff, one of who should be signing in accordance with the authorized signatory lists (see section 6.4). Authorizing signatories should check all the invoice details and the arithmetical accuracy.

7.7 Copies of invoices should be sent to the Debtors Section in the Finance Department within 3 working days of raising for entry into the Finance system. Spoiled invoices must also be sent to ensure completeness of records.

7.8 All credit notes raised must be authorized by two authorizing signatories (see 7.6 above) and sent to the Debtors Section in the Finance Department within 3 working days.

Rechargeable works

7.9 When work, goods or services are to be provided on a rechargeable basis, to a third party, it is the responsibility of the relevant member of staff to obtain the prior written agreement of that third party to the reimbursement of the cost.

Credit and creditworthiness

7.10 Credit should not be offered for small value sales. As a rule credit should not be offered for UK sales under £20 and overseas sales under £500.

7.11 Trade references should be obtained when sales are made and credit is offered to a customer for the first time for sales in excess of £5,000. References should be re-obtained where there have been no sales with the customer for at least 3 years.

7.12 A financial evaluation based on up to date financial data should be carried out for new customers expected to exceed £10,000 of business in a financial year. Credit ratings, which may provide the necessary data, can be obtained from the Debtors Section in the Finance Department (contact: Receipts Supervisor ext. 5166). The creditworthiness must be agreed with the Financial Controller. A further analysis should be carried out where there have been no sales with the customer for at least 3 years.

7.13 A creditworthiness check is not required if a customer is paying in advance.

7.14 Any exceptions must be agreed in advance by the relevant Head of Department and the Director of Finance.

Value added tax (VAT)

7.15 All sales invoices should clearly indicate both the rate of VAT and amount of VAT applicable to the sale. Failure to correctly account for VAT could lead to penalties being imposed on the Museum. VAT guidance can be obtained from the Financial Accountant.

7.16 Manual alterations to VAT should not be made to sales invoices. The invoice should be reissued and where appropriate a credit note issued.

7.17 Sales invoices must be forwarded to the finance Department promptly (see 7.7) to ensure that Vat is accounted for in the correct accounting period.

Income collection and debt recovery procedures

7.18 Staff raising invoices should ensure that there is sufficient supporting evidence to enable any debt to be substantiated.

7.19 The Debtors Section, in conjunction with the Department raising the sale, will initiate debt recovery procedures when the usual 30 day credit period has been exceeded.

Write off of bad debts

7.20 The Director of Finance may write off individual debts up to £1,000 that are irrecoverable. Write offs over £1,000 require the Museum Director's approval and over £5,000 per case require DCMS approval. Debts written off will be reported annually to the Trustees.

Valuables books / receipts (for non-till activities)

7.21 Each department should keep a valuables book to record receipts. These are available from the Finance Department. All receipts totalling in excess of £100 and a copy of the valuables book should be brought to the Cash Desk in the Finance Department within 1 working day of receipt. All other receipts and a copy of the valuables book should be brought to the Finance Department within 5 working days of receipt.

7.22 For receipts at point of sale, customers should be issued with a pre-numbered receipt, a copy of which must be attached to the valuables book. All receipts of such cash, cheques, credit card vouchers should be stored securely after the point of sale.

7.23 Cash and cheques should not be sent by post to the Finance Department.

Cash handling (for till operations)

7.24 Staff operating tills must adhere to the DVS Policies and Procedures Manual (see Glossary).

8. EMPLOYMENT OF STAFF

8.1 All staffing appointments whether permanent, fixed-term, short-term (i.e. employment of staff, including casual staff for continuous periods of less than 12 months) and agency staff require the prior approval of the Museum Director and the Director of Human Resources. Subject to compliance with the Museum's policies and procedures for the recruitment, selection and appointment of staff, the Museum Director may sub-delegate the approval.

8.2 Approval has been delegated to the Director of Science for the recruitment of Science posts.

8.3 Approval for the appointment of externally funded staff (typically from research grant funding) has been delegated to the relevant Heads of Department.

8.4 All requests for recruitment, irrespective of funding source, must be made using the Recruitment Request form. The form should be authorized by the line manager and the Head of Department prior to submission to Human Resources.

8.5 All recruitment costs will normally be charged to the employing department's budget.

8.6 The use of recruitment consultants to provide additional assistance (e.g. to provide headhunting, search or testing facilities) is subject to the approval of the Director of Human Resources. Their use is subject to the regulations governing expenditure including competitive requirements (see section 3).

Engagement of agency staff

8.7 Agency staff may be engaged to cover short-term absences or temporary peaks in workload or demand. Agency workers are not employed or paid directly by the Museum but remain the employees of the recruitment agency. (This does not remove the Museum's responsibilities in law in relation to, for example, the health, safety and welfare and the right to treatment free of discrimination).

8.8 The use of agency staff to cover complemented posts included within the salary budget must be subject to a formal approval using the Recruitment Request form. Costs will be charged to the running costs budget but may, on approval of the Director of Finance, be covered by a virement from the salary budget.

8.9 Agency staff in addition to complemented posts must be funded from the departmental running costs allocation.

8.10 Authorization of the expenditure and payment of invoices must be in accordance with Section 6 of these Regulations.

8.11 The engagement of agency staff is also subject to the following conditions:

- expenditure can be met from within approved budget allocations;
- sufficient pre-engagement checks have been undertaken to verify the agency staff's suitability for the work to be undertaken (including checks as to qualification, experience, health and character);
- notification to the HR Manager of the agency worker's details and duration of engagement (for inclusion in the Museum's monthly staff listing and issue of key corporate documents).

Reimbursement of relocation costs

8.12 The availability of financial assistance with relocation costs in order to move home on appointment should be approved by the Director of Human Resources and no commitments to appointees should be made prior to obtaining this approval. Reimbursement will be limited to one-off costs actually and necessarily incurred and will be subject to a discretionary cash ceiling. Reimbursement of costs will normally only apply to those items reimbursable free of tax according to the latest Inland Revenue extra-statutory concession.

Employment of staff overseas

8.13 Irrespective of the source of funding, prior approval from the Head of Department and the Director of Human Resources must be obtained for the appointment of staff overseas, including staff recruited locally at the overseas station. In view of the different social security and employment legislation in operation overseas, early advice must be sought from the Department of Human Resources in relation to the contract of employment and from the Department of Finance in relation to payment of salary and insurance matters.

Transfers of staff on the transfer of an undertaking or with their work

8.14 The transfer of staff into or out of the Museum's employment on the transfer of an undertaking governed by the Transfer of Undertaking (Protection of Employment) Regulations (TUPE) requires the prior approval of the Trustees. Similarly, transfers of staff with their work in circumstances that are not governed by TUPE also require the prior approval of the Trustees.

8.15 Any proposals for the transfer of an undertaking or of work (whether or not involving the employment of Museum staff or the staff of another organization) must be notified at the earliest possible opportunity to the Directors of Finance and Human Resources. This requirement applies to all proposals for contracting-in or contracting-out, out-sourcing, private finance initiatives and to any second- (or subsequent) generation contracting-out exercises. Inherited liabilities

8.16 In order to avoid inheriting employment-related liabilities other than in the case of a TUPE-protected transfer, previous employment with a government department or agency, or with another public body, will not be treated as continuous with employment with the Museum. In exceptional circumstances, prior service in employment covered by the Principal Civil Service Pension Scheme may count towards service reckonable for the purposes of the Civil Service Compensation Scheme with the prior approval of the Director of Human Resources.

Monthly paid staff

8.17 Payment of salary to monthly paid staff will automatically be subject to deduction of tax and National Insurance contributions via PAYE.

Overtime payments to monthly paid staff

8.18 Payment of overtime pay to monthly paid staff will be made on the basis of an authorized overtime claim form, completed in accordance with the rules on overtime set out in the Staff Handbook. The Head of Department must provide a list of authorizing signatories to the Department of Human Resources. The signatory list must be reviewed on at least an annual basis in accordance with the Financial Regulations (Section 6).

Weekly paid staff

8.19 The casual payroll is used to make payments to weekly paid casuals, short-term employees and self-employed persons. The employment of such staff is subject to same approvals procedures for monthly paid staff.

8.20 To initiate payment action, details of the short-term employment of staff and the engagement of self-employed persons must be notified to the Finance Department (Casual Payroll) on the appropriate form prior to receipt of the first time sheet. This must include details of the individual's employment status. It is the responsibility of the line manager to determine the employment status of casual staff (i.e. self-employed or employed). Guidance and the appropriate form are available from the Finance Department (Financial Accounts Assistant).

8.21 Payments to weekly-paid short-term staff and self-employed persons will be made in accordance with an authorized timesheet. Authorizing signatories must be provided in accordance with the Financial Regulations (Section 6).

Premature retirement or severance

8.22 Applications from eligible staff for early retirement with payment of actuarially reduced retirement benefits and for medical retirement will be handled in accordance with the Rules of the Principal Civil Service Pension Scheme (PCSPS).

8.23 The early retirement or severance of staff is subject to the prior approval of the Museum Director on the advice of the Directors of Human Resources and Finance. In approved cases, the benefits payable will be in accordance with the Civil Service Compensation Scheme and the Rules of the PCSPS as appropriate.

Re-appointment of former employees

8.24 No individual has the right to re-appointment. The re-appointment or re-engagement of staff (including on a fee-paid basis, self-employed basis or as a consultant) after leaving the Museum's employment at normal retirement age or after premature retirement from the Museum or from another employment covered by the PCSPS is subject to the prior approval of the Director of Human Resources.

Settlement of claims made by employees or ex-employees

8.25 All claims for compensation from employees and ex-employees (or their legal representatives) arising from personal injury or illness sustained by employees in the course of their duties must be referred promptly to the Health and Safety Manager and the Directors of Finance and Human Resources.

8.26 The Director of Finance must be consulted in advance on the conduct of the Museum's response to any personal injury claims, and, in particular, on proposals to obtain legal advice and legal representation in relation to the Museum's case. The Museum Director (or the Director of Finance on his behalf) will authorize any out-of-court settlement.

8.27 Notices of applications to settle claims and disputes arising out of employment (including from prospective employees and ex-employees) to an Employment Tribunal or similar body should be referred to the Director of Human Resources. The costs of settlement or payment of awards ordered by an Employment Tribunal will be charged to the employing department's salary budget.

9. MISCELLANEOUS

Conflicts of interest

9.1 Conflicts of interest may arise where the Museum has entered into a transaction in which a member of staff or a close relation to a member of staff (see Glossary) has a financial interest or from which they may derive financial benefit. This includes transactions and activities in which the member of staff has no direct involvement. Staff must notify such interests to their Head of Department and the Director of Finance. The Museum Director must approve in advance any transaction in which a member of staff has a conflict of interest.

9.2 No transaction may be arranged by any member of staff, or consultant working for the Museum, if they are aware that the other party involved is a close relation. This regulation may only be varied with the prior written agreement of the Museum Director.

Payments to individuals for private work done

9.3 Staff, including internally and externally funded, sub-contracted and resident students must not negotiate with or sign personal contracts with organizations within or without the Museum or receive personal payments from them without prior approval from their Head of Department.

9.4 Subject to Head of Department approval, staff may carry out private paid work on matters using their Museum expertise in their own time using their own resources.

9.5 Staff must not use the Museum's address or stationery when carrying out such private work.

9.6 Staff are responsible for any tax liability arising from private work.

Gifts and hospitality offered and received

9.7 The Director of Finance maintains a register of gifts and hospitality given and received which have an estimated value in excess of £50. All staff must notify the Director of Finance of such gifts given or received so that they are recorded in the register.

9.8 In general, staff should not accept gifts and hospitality with an estimated value in excess of £50 either on one occasion or in total per annum from one source. All gifts, entertainment etc. which are above this value, must either not be accepted or if this course of action could be considered inappropriate, accepted but recorded in the register. If there is doubt as to the propriety of accepting a gift or hospitality, the appropriate Head of Department must be consulted.

9.9 Accommodation and hospitality offered to staff members where there is no potential commercial relationship involved, either real or perceived, (e.g. scientists on research fieldwork trips) does not need to be recorded in the register.

Inducements

9.10 Any member of staff who is offered an inducement or is aware that an inducement has been offered to another member of staff must immediately report the matter to their appropriate Head of Department and to the Head of Internal Audit.

Subsidiary companies

9.11 The setting up or purchase of a subsidiary or associated company requires the formal approval of the Trustees.

Ex officio appointments

9.12 Where Museum staff hold appointments as Board Members, Trustees, Directors or similar of other organizations as a result of being employed by the Museum, these appointments must be approved by the Head of Department and be subject to annual review. For Heads of Department approval should be obtained from the Museum Director, and the Museum Director should seek approval from the Trustees.

Indemnities

9.13 No indemnities may be offered in respect of loans of objects to or from the collections, except in accordance with the conditions laid down by the Government Indemnity Scheme (GIS) (see Insurance - Appendix 2). Details of the GIS are available from the Financial Controller.

9.14 For non-trading activities no guarantee, letter or statement of comfort may be offered or any other contingent liability incurred without the prior approval of the Museum Director and DCMS. For trading activities indemnities and guarantees must not be given without approval from the Director of Finance.

Information technology

9.15 The Head of IT within the Department of Library and Information Services should be notified and consulted before any IT projects are undertaken. Guidance should also be sought from the Central Computer and Telecommunications Agency (CCTA), which can be contacted via the Procurement Manager. Losses and special payments

9.16 A register of losses and special payments is maintained by the Director of Finance. This covers cash losses, loss of assets and stores, fruitless payments and constructive losses, compensation, claims waived or abandoned, ex gratia payments and debt write offs. In some cases DCMS permission and notification is required. Heads of Department must notify the Director of Finance of any losses or special payments of which they become aware.

Appendix 1

GLOSSARY

The following are definitions of certain words and terms insofar as they relate to these Financial Regulations.

Accounting Officer

Officer responsible to Parliament, alongside the Accounting Officer for the Department for Culture, Media and Sport, for the propriety and regularity of the Museum's expenditure and for prudent and economical administration. This is the Museum Director.

Board / trustees

The Museum's Board of Trustees appointed by either the Prime Minister, the Secretary of State for Culture, Media and Sport, by the Treasury on recommendation from the Royal Society or co-opted by the Board.

Budget

Annual corporately prepared and Trustee approved level of planned income and/or expenditure.

Budget holder

A member of staff who is given responsibility for the control of a specific part of the budget.

Capital project

A specific activity with benefits lasting beyond one financial year for which internal and/or DCMS approval has been sought, given or delegated. This may encompass more than one works contract and will include related consultancy appointments.

Close relationships

Those involving family members, partners or business associates.

DCMS

The Department for Culture, Media and Sport, the Museum's sponsoring government department

DVS Policies and Procedures Manual

A continuously updated set of instructions held by Team Managers and Operations Managers in the Department of Visitor Services.

Ex gratia

A payment made by way of favour, where no legal obligation exists.

Expenditure

All cash payments or prospective payments including income foregone.

Income

All cash due or receivable.

The Natural History Museum Trading Company

A company limited by shares held by the Natural History Museum, covering retail, function, catering, the picture library, brand management, touring exhibitions, Wildlife Photographer of the Year commercial activities, shared services with other South Kensington institutions and the annual ball. It is accounted for separately and has its own bank accounts. Profits are transferred to the Museum on an annual basis.

Appendix 2

INSURANCE COVER

The Museum has insurance cover for a number of areas. All the policies have limits, excesses and exclusions. Details can be obtained from the Financial Accounts section in the Finance Department. Summary details are shown below.

1. Material damage

Loss or damage arising from fire, forcible theft, flooding etc, to plant and machinery, fixtures and fittings, retail stock, permanent and temporary exhibitions, models, goods in trust, and computer equipment. There is worldwide coverage for temporary removal of scientific equipment and laptops. Original artefacts, collections and buildings are excluded.

2. Business interruption

Loss of income arising from unforeseen or unavoidable circumstances (e.g. fire in the main hall resulting in closure and a reduction in admissions income).

3. Public and products liability (£10 million cover)

Cover for amounts payable to members of the public for any liability relating to injury, illness or damage to property arising from any activity of the Museum.

4. Group personal accident

Financial benefits for all employees - including temporary staff, grant funded, work experience, volunteers - in the event of an occupational accident while in the pursuit of normal occupational activities or while travelling between residence and work (normal or temporary). Cover is worldwide.

5. Business travel

In addition to the personal accident cover, cover is provided for overseas medical expenses and emergency repatriation, loss of personal effects, loss of money, cancellation, replacement, kidnap and hijack and personal liability.

6. Professional Indemnity

Financial protection relating to the Museum's consultancy activities where professional advice is given.

7. Directors' and Officers' liability

Financial protection for trustees and officers in their capacity as individuals responsible for running the business of the Museum.

8. Marine Cargo

Loss arising from transporting touring exhibitions' equipment, models and goods.

9. Employers' liability

The Museum holds a certificate of exemption from employers' liability insurance. The exemption is granted on the basis that any proven negligence by the Museum as employer towards an employee will be paid out of monies voted by Parliament.

10. Government Indemnity Scheme

Under a scheme operated by DCMS, indemnity is available under the GIS for loans to the Museum for exhibition purposes. All loans must be logged with DCMS. Contact the Financial Controller for further details.