



Department
for Culture
Media & Sport

Secretary of State for Culture, Media and Sport
4th Floor
100 Parliament Street
London SW1A 2BQ

020 7211 6000

www.gov.uk/dcms

Dame Mary Archer
Chair
Science Museum Group
Exhibition Road,
South Kensington,
London SW7 2 DD

11 CMS 295284/asg
December 2016

Science Museum Group Management Agreement 2016-2020

I am writing to set out the way in which I would like our two organisations to work together over this Spending Review period.

Firstly, I would like to thank Science Museum Group for continuing to play such a critical role in promoting and preserving culture, heritage and the arts for present and future generations.

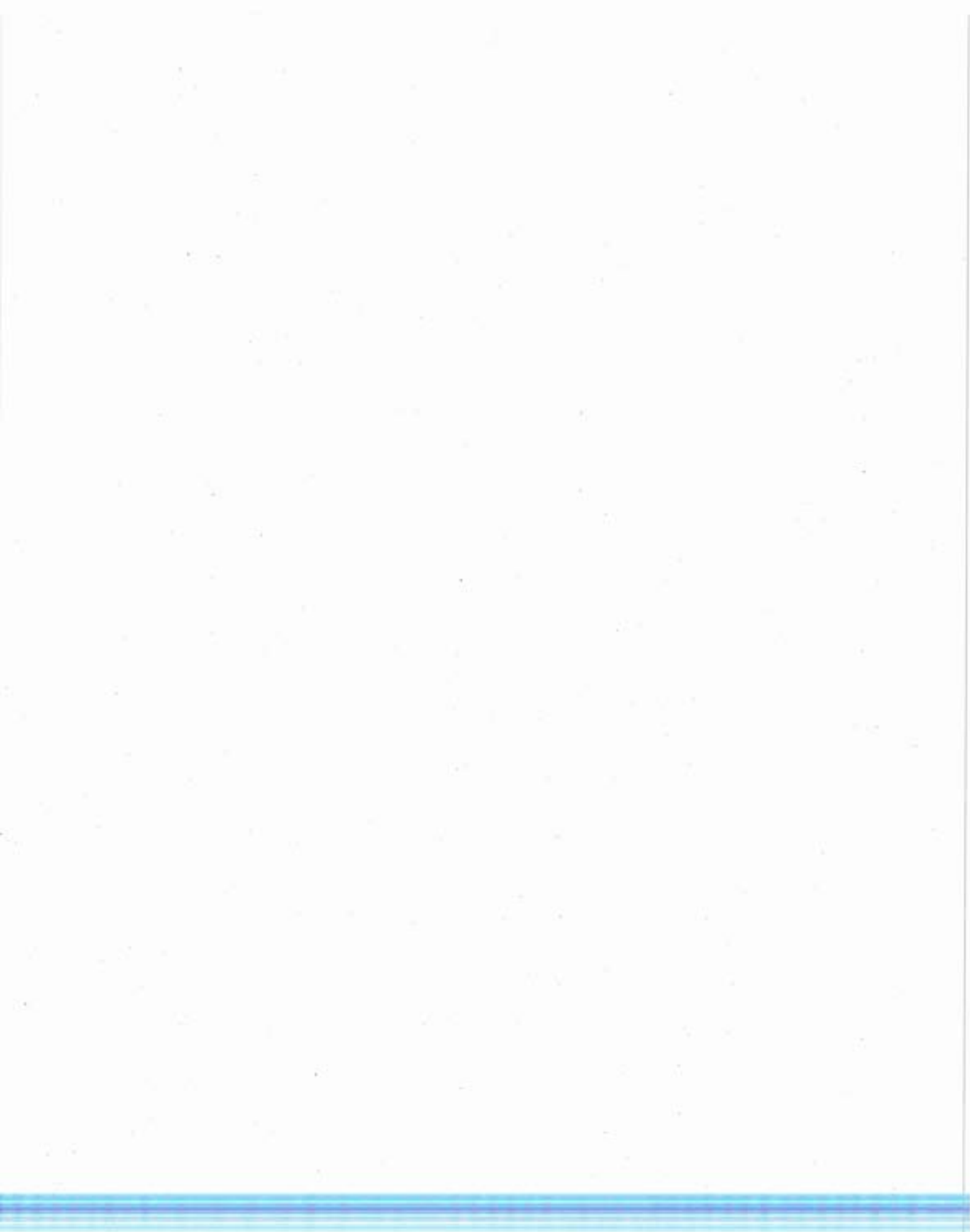
My priorities for Science Museum Group remain in line with those set out in the Secretary of State's Spending Review allocation letter of 3 March 2016.

I should be grateful if both you and your Director, would sign the Agreement and return a completed copy to my officials.

I would also like to take this opportunity to thank you and your Board for continuing to give your time and your skills to ensure that the museum can meet these new and exciting challenges.

Rt Hon Karen Bradley MP
Secretary of State for Culture, Media and Sport





SCIENCE MUSEUM GROUP MANAGEMENT AGREEMENT 2016-2020

Part A: Science Museum Group Priorities, Funding and Engagement

1. Secretary of State for Culture, Media and Sport (hereafter known as Secretary of State)'s priorities

1.1. The Secretary of State's priorities for Science Museum Group are:

- to ensure that free entry to the permanent collections of the Science Museum Group will continue to be made available
- to protect the world-class collections and front-line services of the Science Museum Group
- to continue to pursue commercial and philanthropic approaches to generating revenue which will complement grant-in-aid funding
- to seek innovative cost-sharing solutions with other Arm's Length Bodies to maximise these additional sources of income
- to take a strategic approach to partnership working and to seek out opportunities to work across the UK with other museums, cultural and third sector partners, including through the loaning of items, touring of exhibitions, and sharing of expertise
- to work with DCMS to engage internationally, especially with high priority countries as indicated by Government. For your organisation, this will include making use of and contributing to the GREAT Britain Campaign, helping us to boost tourism, education and business and
- to give a high priority to supporting the delivery of the outcomes of the Culture White Paper which will set out the direction for arts and culture policy for this Parliament.

1.2. The following priorities are set out in, and support, the DCMS Single Departmental Plan:

- Maintaining free access to national museums and galleries

2. Financial Allocation

2.1. The Science Museum Group's financial settlement for 2016-20 is as set out in its Spending Review Settlement letter and any further allocation letters.

3. Performance Measures

3.1. Key Performance Indicator/s:

- Charitable giving (donations and sponsorship), comprising:
 - (a) the total amount of charitable giving, i.e. gross income from activities which involve seeking financial support from, e.g. sponsors, private benefactors, charitable trusts (DCMS Business Plan impact indicator);
 - (b) the ratio of charitable giving to grant-in-aid (DCMS Business Plan input indicator);
- Number of visits to the Science Museum Group excluding virtual visits.

3.2. Additional Performance Indicators:

- Number of unique website visits
- Number of visits by children under 16
- Number of overseas visits
- Number of facilitated and self-directed visits to the museum by visitors under 18 in formal education.
- Number of instances of visitors under 18 participating in on site organised activities.
- % of visitors who would recommend a visit
- Admissions income (gross income)
- Trading income (net profit)
- Number of UK loan venues

Performance Indicators should be compiled using the DCMS Performance Indicator Guidance document.

4. Engagement

4.1. The Department and Science Museum Group have agreed an engagement calendar as set out below. This contact will be in addition to routine and

policy led contact between the Department and the Science Museum Group. The DCMS Finance and HR Teams may agree a separate calendar of engagement with Science Museum Group finance and HR team.

Meeting between DCMS Director and Science Museum Group Chair to discuss Science Museum Group and Board performance	Annual
Engagement meeting between DCMS sponsor and Science Museum Group liaison	3 monthly
Engagement meetings between DCMS Finance Team and Science Museum Group liaison	As defined in the Science Museum Group's most recent BODFA letter.

Part B: FINANCIAL CONTROLS

1. Delegated Financial Limits

All delegations are subject to the requirement that spending proposals falling within Managing Public Money Annex 2.2, box A.2.2C should be referred to DCMS. These are:

- items which are novel, contentious or repercussive, even if within delegated limits
- items which could exceed the agreed budget and Estimate limits
- contractual commitments to significant spending in future years for which plans have not been set
- items requiring primary legislation (e.g. to write off NLF debt or PDC)
- any item which could set a potentially expensive precedent and
- where HM Treasury consent is a specific requirement of legislation.

Unlimited (unless otherwise specified)

1.1 Capital Expenditure

Expenditure on new construction, land, extensions of, and alterations to, existing buildings and the purchase of any other fixed assets (e.g. machinery, plant, and vehicles), art works and additions to the collection with an expected working life of more than one year. Also includes exchanges of fixed assets.	Up to £15 million (whole life cost in today's prices)
--	---

1.2 Single Tender Contracts

Science Museum Group will submit the total value and number of all Single Tender Contracts it has awarded on a quarterly basis to DCMS and commit to an annual meeting with DCMS to discuss procurement activity over the year.

Science Museum Group must notify DCMS a minimum of 48 hours in advance of its intention to award a single tender contract the value of which exceeds the relevant OJEU threshold (if applicable)

These requirements do not apply to purchases for collections, acquisitions, core public offerings, or subscriptions that support these (e.g. subscriptions to unique journals).

1.3 Gifts

Gifts received by Science Museum Group	Unlimited
<p>In a financial year, any one gift or total of gifts by the Science Museum Group:</p> <ul style="list-style-type: none"> • to one person/organisation; • to staff. <p>Gifts to staff are also subject to the following Cabinet Office guidance:</p> <p>http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality</p>	Up to £1,000

Proposals for making gifts outside this delegated limit must have the prior approval of DCMS. The Science Museum Group must keep a record of gifts given. Details of gifts to one person/organisation should be noted in the annual accounts if individually or collectively, they exceed £1,000.

1.4 Fraud

No delegation. All cases of attempted, suspected or proven fraud, irrespective of the amount involved, must be reported by the Science Museum Group to the Department as soon as it is discovered.

1.5 Non-Statutory Contingent Liabilities

Up to £100,000

1.6 Losses and Special Payments

The write-off of losses or approval of special payments should only be carried out by staff authorised to do so by and on behalf of the Science Museum Group's Accounting Officer. The Science Museum Group should consult DCMS where cases:

- involve important questions of principle

- raise doubts about the effectiveness of existing systems
- contain lessons which might be of wider interest
- are novel or contentious
- might create a precedent for other departments in similar circumstances and
- arise because of obscure or ambiguous instructions issued centrally.

1.6.1 Classification of Losses

Type	Description	Delegation
A.	Losses	
(i)	<u>Cash losses</u> : Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)	£100,000
(ii)	<u>Bookkeeping losses</u> : <ul style="list-style-type: none"> • unvouched or incompletely vouched payments, including missing items; • charges to clear inexplicable or erroneous debit balances. 	£100,000
(iii)	<u>Exchange rate fluctuations</u> : Losses due to fluctuations in exchange rates or revaluations of currencies.	£100,000
(iv)	<ul style="list-style-type: none"> • Losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and NDPB employees: 	£100,000
	<ul style="list-style-type: none"> • overpayments due to miscalculation, misinterpretation, or missing information 	£100,000
	<ul style="list-style-type: none"> • unauthorised issues, e.g. inadmissible payments 	£100,000
	<ul style="list-style-type: none"> • losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud. 	£100,000
(v)	Losses arising from overpayments of social security benefits, grant, subsidies, etc. arising from miscalculation, misinterpretation or missing information.	£100,000

(vi)	Losses arising from failure to make adequate charges for the use of public property or services.	£100,000
B.	Losses of accountable stores:	
(i)	because of proven or suspected fraud, theft, arson or sabotage, or any other deliberate act (including repairable damage caused maliciously to buildings, stores; etc. even where a legal claim is not possible).	£100,000
(ii)	losses arising from other causes.	£100,000
C.	Fruitless payments and constructive losses	£100,000
D.	Claims waived or abandoned	£100,000

A record of losses should be maintained and if the total of losses or special payments in the year exceeds £100,000, the annual accounts should include a statement, with any individual losses and special payments exceeding £100,000 specifically identified.

1.6.2 Special Payments

Special severance payments: There is no delegation for special severance payments (payments made to the employee outside their statutory or contractual entitlement upon termination of their employment contract). Each payment, regardless of value will require HM Treasury approval before an offer can be made.

Redundancy payments: All redundancy payments outside contractual terms, require DCMS and Cabinet Office permission in all cases.

	Special payments:	
(i)	extra-contractual and ex gratia payments to contractors;	£100,000
(ii)	other ex gratia payments;	£100,000
(iii)	compensation payments;	£100,000
(iv)	extra-statutory and extra-regulatory payments.	£100,000

1.6.3 Disposal of Assets

The Museum requires the Secretary of State's approval for any disposal of land.

All assets disposals, regardless of value, should be notified to DCMS through the routine monthly financial reporting processes.

1.6.4 Retention of Receipts

The Science Museum Group should apply for permission to retain any receipts where the aggregate annual total exceeds the amounts below notified to the Department at the Spending Review.

	2016/17	2017/18	2018/19	2019/20
Resource DEL Receipts	£11,000,000	£12,900,000	£13,700,000	£14,900,000
Capital Del Receipts	£8,100,000	£15,300,000	£14,300,000	£9,800,000

2. Spend controls

2.1 Science Museum Group is subject to the latest Cabinet Office spend controls set out at <https://www.gov.uk/government/publications/cabinet-office-controls> and the DCMS thresholds for spend controls, as set out in the latest [DCMS Spend Control Guidance](#).

2.2 All Cabinet Office spend controls apply to the Science Museum Group, with the following exceptions:

- advertising and marketing and
- property, including facilities management

3. Procurement

3.1 Science Museum Group must comply with the Public Contracts Regulations 2015 (PCR) in its procurement activity. Further, as a Central Government Authority as set out at Schedule 1 of the Public Contracts Regulations 2015, Science Museum Group is subject to certain thresholds when tendering for a procurement opportunity. As detailed in Procurement Policy Note - Reforms to make public procurement more accessible to Small and Medium Enterprises (SMEs) (Information Note 03/15) and www.ojec.com/thresholds.aspx

3.2 The Science Museum Group shall:

- Acquire goods and services through fair and open competition, using LEAN methodology where appropriate, delivering value for money through procurement, and operating in line with European law, including restrictions on state aids and current best practice, inclusive of open procurements for requirements under £100,000 where appropriate and restricted use of Pre-Qualification Questionnaires.
- Comply with current requirements on additional spend controls, delegated authorities and authorisations on procurement and leases as notified to them by the Department.
- Support collaborative procurement and commercial efforts across DCMS and its family of other ALBs.
- The Science Museum Group has flexibility to opt in or out of central procurement on a case by case basis. However, where possible and appropriate, the Science Museum Group shall utilise whichever Crown Commercial Services frameworks are relevant to its needs.

4. Efficiency

4.1 In the Spending Review Settlement Letter, Science Museum Group was asked to find an efficiency saving of at least 1% year-on-year, calculated against its RDEL grant-in-aid funding for that year, across the Spending Review period, which can be recycled into frontline services. Science Museum Group will be required to provide an annual return outlining their efficiency plans, as well as projected and actual savings.

5. Management Information

5.1 The table below sets out the management information that the Department expects the Science Museum Group to provide in the course of a 12 month period. These may be subject to change depending on future information requirements.

Timescale	What	How	Purpose
Monthly (9th working day of each month)	Grant-in-Aid requests	Via Finance Partnership Webpage	To get the ALB's latest forecast income and expenditure for reporting to Board and HM Treasury.
Monthly	Consultancy return (including nil returns)	By e-mail to DCMS Procurement and Commercial Team	To enable Cabinet Office to keep track of the number of public sector consultancy contracts.
Monthly	Cash management figures within GBS accounts	By e-mail to Finance	To supply HM Treasury with forecast for cash management inside GBS
Monthly	Spend over £25,000	On the ALB's website	Transparency: to inform public how public money is spent
Quarterly	Key metrics (total procurement spend, spend with SMEs and	By e-mail to DCMS Procurement	Benchmarking of procurement spend and provision of data on economic effect of

	the Voluntary, Community and Social Enterprise sector)	and Commercial Team	spend by Departments and ALBs
Quarterly	Exchequer funds held in commercial bank accounts	By e-mail to Finance	To supply HM Treasury with details of how much government funding is held outside GBS
Quarterly	Medium Term Financial Model returns	By e-mail to Finance	To get the ALB's latest capital profiles for internal management and reporting to Finance Committee
Six-monthly	Publication of senior salaries and organograms	On the ALB's website or hosted on DCMS website	Transparency: to inform public how public money is spent
Annually	Alignment/WGA	Alignment consolidation packs, WGA transactions and balances exercise	Alignment: to consolidate the ALB's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation.
Annually	Sustainability data	By e-mail to Finance and DCMS Sustainability Champion	To meet HM Treasury requirement to supply centre with sustainability data
Annual	EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)	By e-mail to Cabinet Office	Legal requirement to provide data on number of tenders advertised in the European Journal
Annually - Mid August	Country and Regional analysis data	By e-mail to Finance	HM Treasury requirement - feeds into the Core Tables for

			the Annual Report and Accounts
Annually	Annual report and accounts	By e-mail to Finance as per timetable (separate guidance is issued on this)	Statutory obligation
Annually	Pay Remit and pay remit outturn	By e-mail to ALB Team	To ensure spend on pay is aligned across Government
Annually	Publication of salaries over £150k	By e-mail to ALB Team (for publication on Cabinet Office website)	Transparency: to inform public how public money is spent
Annually	Sharing of Strategic Risk Register as per paragraph 13.1 of the Governance framework.	At annual performance meeting	Enable timely and appropriate response to risk
Annual	Efficiency Return	Pro-forma	To provide evidence that the 1% target has been met, to demonstrate what measures have been taken to achieve this and to demonstrate how these savings have been recycled back into frontline services.
Ad hoc immediate as required	Completion and updating of e-Pims™ database	Directly into e-Pims™ system	To ensure accurate property and estate information is maintained at all times

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, on request	Assurance of financial management
------------	---	--------------------------------------	-----------------------------------

Part C: Science Museum Group 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 Science Museum Group. This document sets out the broad framework within which Science Museum Group will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and the Science Museum Group. 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 Science Museum Group's website, with a link to it on the DCMS site.

1.2 The agreement will remain in place until it is superseded by a new agreement. The agreement should be treated as a living document and reviewed by both sides annually in March. Any changes to ministerial priorities, policy requirements and KPIs will be made by exchange of letters between the Minister and the Science Museum Group Chair; all other changes will be made by exchange of letter between the DCMS Permanent Secretary and the Science Museum Group Chief Executive.

1.3 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.

1.4 Nothing under this agreement shall prevent the Science Museum Group from carrying out its legal duties under its founding legislation or under any other legislation which impacts on its functions, activities or powers.

2. Governance and accountability

2.1 The statutory and other duties of the Science Museum Group derive from the National Heritage Act 1983. The Science Museum Group is also an exempt charity and must comply with the relevant regulations.

2.2 The Secretary of State and other members of the DCMS ministerial team will account for the Science Museum Group's business in Parliament.

- 2.3 The respective responsibilities of the DCMS Principal 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 Accounting Officers on appointment and summarised below.
- 2.4 The terms of appointment of the Chair and Board members are as set out in the Science Museum Group's founding legislation or other founding documents. Where such appointments are made by Ministers, they will comply with the Code of Practice of the Commissioner for Public Appointments.
- 2.5 In line with the founding legislation or documents, and, where applicable, the Government's Code of Practice on Corporate Governance, the Board will consist of a Chair, together with between 12 and 20 members that have a balance of skills and experience appropriate to directing the Science Museum Group's business.
- 2.6 The Director is appointed by the Board of the Science Museum Group with the approval of the Prime Minister. They report 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 Science Museum Group and will have specific duties in this regard, which are set out in section 5 below.

3. The Secretary of State's role as Principal Regulator

- 3.1 The Secretary of State for Culture, Media and Sport will carry out the general duty as "principal regulator" for the Science Museum Group, as it is one of the institutions listed in Schedule 3 to the Charities Act 2011 as exempt charities, in so far as it is not a charity already registered with the Charity Commission. This role will also be fulfilled with respect to bodies that are closely connected with the Science Museum Group. The general duty is set out in section 26 of the Charity Act 2011 and it is a duty to do all that the Secretary of State reasonably can to promote compliance with charity law (the "compliance objective"). This means promoting compliance by the Science Museum Group trustees with their legal obligations in exercising control and management of the administration of the charity.

4. DCMS Principal Accounting Officer's responsibilities

4.1. The DCMS Permanent Secretary, as Principal Accounting Officer for the DCMS family of ALBs, is accountable to Parliament for the issue of any grant-in-aid to the Science Museum Group and is also responsible for ensuring arrangements are in place to:

- monitor the Science Museum Group's activities on a continuous basis;
- address significant problems in the Science Museum Group, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and Science Museum Group objectives and activities;
- inform the Science Museum Group of relevant government policy in a timely manner; and,
- bring concerns about the activities of the body to the full Science Museum Group Board; requiring explanations and assurances that appropriate action has been taken.

4.2. The Head of Museums, Honours, ALBs and Appointments, or their nominee, in DCMS is the primary contact for the Science Museum Group within the Department.

5. Science Museum Group Accounting Officer's responsibilities

5.1. The DCMS Principal Accounting Officer will normally appoint the permanent head of Science Museum Group, i.e. the Chief Executive, to be the Accounting Officer for the body. The duties of the Science Museum Group'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 Science Museum Group's Board and other stakeholders.

5.2. The Science Museum Group Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and, reporting to the Board of the Science Museum Group, for the day-to-day operations and management of the Science Museum Group and the achievement of its strategic aims. In addition, he or she should ensure that the Science Museum Group 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).

5.3. 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 concerning the organisation's management and control of resources during the year and setting out how risk has been managed, for inclusion in the annual report and accounts
- ensuring that effective procedures for handling complaints about the Science Museum Group are established and made widely known within the body
- 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 and
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the PAC on the Science Museum Group's stewardship of public funds.

5.4. Particular responsibilities to DCMS are:

- informing the Department of progress in helping to achieve DCMS's policy objectives as defined in the single Departmental plan 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; 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.

5.5. The duties of the Accounting Officer with respect to the Board of the Science Museum Group 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 Science Museum Group'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 3.8.5 and 3.8.6 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.

6. The Science Museum Group Board

- 6.1. 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.
- 6.2. The Board must set up an Audit Committee chaired by a Trustee or, where applicable, a non-executive member. The Audit Committee should support the Board and Accounting Officer by providing advice and assurance on risk management, governance and internal control.
- 6.3. 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.
- 6.4. The Board is specifically responsible for:
 - ensuring that the Science Museum Group fulfills the aims and objectives set out in its founding legislation and within the policy and resources framework determined by the Secretary of State
 - determining the steps necessary to deal with any developments which are likely to affect the Science Museum Group's ability to fulfil its aims

- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAA 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 Science Museum Group Head of Internal Audit's opinion on risk management, control and governance to the sponsor department on request;
- have effective controls to prevent fraud and theft; and
- report all cases of attempted, suspected or proven fraud, irrespective of the amount involved, and notify the Department of any unusual, novel or major incidents as soon as they are discovered, irrespective of the amount involved.

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

11. External Audit

11.1. The Comptroller & Auditor General (C&AG) audits the Science Museum Group annual accounts. Ministerial approval must be given before the C&AG can sign off the accounts.

11.2. In the event that the Science Museum Group has set up and controls subsidiary companies:

- the Science Museum Group 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 Government Resources and Accounts Act Order, which will make (or will have made) the C&AG its statutory auditor. The company should appoint the C&AG as auditor by agreement until such time as the GRAA Order is issued and
- 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.

11.3. The C&AG:

- will consult the Department and the Science Museum Group on whom – the National Audit Office (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 Science Museum Group;
- 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 Science Museum Group;
- 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.

11.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Science Museum Group 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 Science Museum Group 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.

12. Right of access

12.1. Subject to any overriding legal rights or obligations, the Science Museum Group will provide access to the Department to all the Science Museum

Group's records and personnel for all purposes including, for example, operational investigations.

13. Managing Public Money and other government-wide corporate guidance and instructions

13.1. Unless agreed by the Department and (as necessary) HM Treasury, the Science Museum Group 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 Science Museum Group should comply is in Annex A.

13.2. Once the overall budget has been allocated by DCMS and subject to any restrictions imposed by statute, the responsible minister's instructions and this document, the Science Museum Group shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the Science Museum Group shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS
- the Science Museum Group 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 Science Museum Group shall provide DCMS with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require and
- the Science Museum Group 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.

14. Risk management

14.1. The Science Museum Group 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.

15. Business Planning

- 15.1. To operate its business effectively, the Science Museum Group 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.
- 15.2. The Department should be sent copies of each of the completed planning documents. These plans should be made available to the public, via the internet if possible.
- 15.3. 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 Science Museum Group's best estimate of its available income, including any grant or grant in aid or any other funding within the Science Museum Group.

16. Science Museum Group staff

- 16.1. Within the arrangements approved by the responsible minister, the Science Museum Group 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;

16.2. Science Museum Group has the freedom to opt out of the Principal Civil Service Pension Scheme (PCSPS) for new staff. To take advantage of this freedom, the Science Museum Group needs to submit the rationale for the opt out to DCMS, as set out in the relevant guidance.

16.3. 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. The Science Museum Group must follow the processes set out in the DCMS "Guidance on Staff Exits".

16.4. The Science Museum Group will determine the terms and conditions of employment of its staff in line with the current Civil Service pay policy guidelines issued by HM Treasury. The Science Museum Group will submit an annual pay remit to DCMS for approval although this is no longer subject to a 1% cap on pay increase. Pay increases are at the discretion of the Science Museum Group Board but are expected to be affordable, realistic and responsible.

16.5. The Science Museum Group shall operate pay restraint, particularly in terms of senior salaries. The Science Museum Group shall be subject to the terms issued each year by the Cabinet Office and the Review Body on Senior Salaries. For senior pay and bonuses above the thresholds set out in the 'Guidance for Approval of Senior Pay', the Science Museum Group must seek approval from the Secretary of State and the Chief Secretary of the Treasury.

16.6. The Science Museum Group is subject to the Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees, and any guidance that may supersede it. The Science Museum Group shall not remunerate employees via special purpose companies or by means of any other tax avoidance devices. Senior staff with significant financial responsibility must be on the payroll, unless there are exceptional temporary circumstances, which must be agreed by the Science Museum Group Accounting Officer and not exceed a period of six months. The Science Museum Group is also responsible for

ensuring that any temporary off-payroll workers employed are meeting their tax obligations.

17. Review

17.1. The Science Museum Group may be reviewed periodically, by DCMS in accordance with:

- the business needs of DCMS and of the Science Museum Group;
- Cabinet Office guidance; and
- in accordance with the National Heritage Act 1983.

18. Budgets and Grant-in-Aid

18.1. Expenditure against resource and capital budgets must be recorded and monitored by the Science Museum Group in accordance with the HM Treasury's Consolidated Budgeting Guidance (or its successor). These are the net expenditure limits for the Science Museum Group 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 Science Museum Group 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 Science Museum Group 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 HM Treasury before granting approval.

18.3. Grant-in-Aid is the amount payable by the Department to the Science Museum Group 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 Science Museum Group'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 Science Museum Group 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 Science Museum Group. 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 Science Museum Group shall continue to provide the Department with monthly information via its grant-in-aid claims that will enable the Department satisfactorily to monitor:

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

20. Investing non grant income

20.1. The Science Museum Group is free to invest non grant income in line with the relevant Charity Commission guidance on investments.

21. Reporting performance to the Department

21.1. The Science Museum Group 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 Science Museum Group's performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

22. Delegated authorities

22.1. The certificate of exemption from Employers' Liability Insurance issued in November 2016 remains valid.

22.2. The Science Museum Group 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 Science Museum Group'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.

23. Exemption from using the Government Banking Service

23.1. The Science Museum Group has been exempted from the requirement to use the Government Banking Service (GBS).

23.2. The Science Museum Group will continue to provide DCMS Finance Team with monthly forecasts including the amount of cash held in its bank accounts. The Science Museum Group may open non-GBS accounts, but must inform the DCMS Finance Team when they do so. The Science Museum Group should seek help and guidance from GBS to help negotiate value for money banking contracts.

23.3. The Science Museum Group is required by DCMS to provide balances held in these accounts at the end of each quarter.

24. Borrowing - Voted Loans

- 24.1. The Science Museum Group will provide DCMS with a written application for borrowing needs for the financial year prior to the Main Estimate. These applications will be subject to DCMS's borrowing appraisal processes and will be subject to approval by the DCMS Finance Committee.
- 24.2. When making the case for loan applications, the Science Museum Group is expected to follow the process and complete the template set out in the *Guidance on Voted Loans for Financial Directors* provided by DCMS.
- 24.3. The Science Museum Group must adhere to the conditions set out in the Borrowing Agreement for any loans received and ensure prompt repayment of principal and interest as set out in the Borrowing agreement.
- 24.4. Any requests to vary the terms of the loan, including changes to the timing of the drawdowns or repayments, must be made formally to the Department, and will require approval by the Finance Committee. Drawdowns cannot be deferred from one year to the next without approval of the Finance Committee.

25. Capital projects

- 25.1. 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 Science Museum Group's delegated capital limit must be referred to the DCMS Finance 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.
- 25.2. 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.
- 25.3. When considering the case for capital projects, the Science Museum Group 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 for evaluating a capital project regardless of whether the project requires DCMS Finance Committee approval. The Department reserves the right to receive

copies of business cases for projects below the Science Museum Group's delegated limit or elements of it, such as the Net Present Value calculation.

26. Compliance with the Equality Act 2010

26.1. In exercising public functions the Science Museum Group is subject to the public sector equality duty in section 149 of the Equality Act 2010, requiring the Science Museum Group to have due regard to the need to

- eliminate unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
- advance equality of opportunity between people who share a relevant protected characteristic (age; disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation) and people who do not and
- foster good relations between people who share a relevant protected characteristic and people who do not.

27. Cyber Security

27.1. As part of its approach to risk management and information assurance the Science Museum Group should ensure the robustness of its cyber security to protect itself against data breaches, service disruption, loss and reputational damage. The level of provision should be proportionate to the Science Museum Group's size and the level of risk it carries in terms of cyber vulnerability. A range of relevant Government advice and guidance can be found at

<https://www.gov.uk/government/collections/cyber-security-guidance-for-business>.

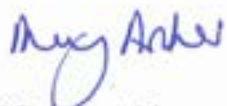
27.2. As a minimum, the Science Museum Group should take steps to ensure it has basic cyber security controls in place. These should be at least at the level set out in the Cyber Essentials scheme. Further details of this scheme can be found at www.cyberstreetwise.co.uk/cyberessentials. Departmental officials can offer further guidance and support.

Signed by:



Secretary of State for Culture, Media and Sport

Date: 11 December 2016



Chair of Science Museum Group

13 January 2017

Date:

Accounting Officer of Science Museum Group

Date:



Annex A: Compliance with guidance and instructions

The Science Museum Group shall be aware of and, where necessary, 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
- Managing Public Money (MPM);
http://www.hm-treasury.gov.uk/psr_mpm_index.htm
- Consolidated Budgeting Guidance (issued annually);
- Government Internal Audit Standards;
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Appropriate adaptations of the Audit Committee Handbook;
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
- Government Financial Reporting Manual (FRoM);
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
- Fees and Charges Guide, Chapter 6 of MPM;
http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf
- Banking guidance, annex 5.6 of MPM;
http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf
- Relevant Dear Accounting Officer letters;
<https://www.gov.uk/government/collections/dao-letters>
- 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;
<https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- Model Code for Staff of Executive Non-departmental Public Bodies: Chapter 5 (Annex A) of Public Bodies: A Guide for Departments (Cabinet Office);
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf

- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
<https://www.gov.uk/government/collections/whole-of-government-accounts>
- 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;
https://www.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-codeofpracticeforofficialstatisticsjanuary2009_tcm97-25306.pdf
- Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418726/PPN_08-15_Tax_arrangements_for_public_appointees.pdf
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the Science Museum Group.

