BRITISH MUSEUM MANAGEMENT AGREEMENT 2016-2020

Part A: British Museum 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 The British Museum are:

- to ensure that free entry to the permanent collections of the British Museum will continue to be made available
- to protect the world-class collections and front-line services of the British Museum
- 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 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 operate the Iraqi Emergency Heritage Management Project, and assist in further international efforts for cultural heritage protection, especially with matters involving cultural heritage destruction in at risk regions and countries
- 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. As part of this, the Secretary of State would like the British Museum to take forward the proposed Chinese Tour of 'A History of the World in 100 Objects'
- to continue to administer the Treasure process and Portable Antiquities Scheme in an effective manner
- 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
- to prioritise access to arts and culture for disadvantaged young people and communities, and
- in addition, the Secretary of State expects the British Museum to work with DCMS to deliver the Department's allocated Government priorities for this Parliament as set out in DCMS'
Single Departmental Plan. For the British Museum, this includes helping Manchester Museum to establish a new South Asia gallery with the £5 million allocated to this project. The Secretary of State is also expecting the Museum to share objects from South Asia with Manchester Museum during the UK/India Year of Culture in 2017.

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

- Maintaining free access to national museums and galleries
- Helping Manchester Museum establish a new South Asia gallery

2. Financial Allocation

2.1. The British Museum’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 British Museum 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 the British Museum 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 British Museum. The DCMS Finance and HR Teams may agree a separate calendar of engagement with British Museum finance and HR team.

<table>
<thead>
<tr>
<th>Meeting between DCMS Director and British Museum Chair to discuss British Museum and Board performance</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement meeting between DCMS sponsor and British Museum liaison</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Engagement meetings between DCMS Finance Team and BM liaison</td>
<td>As defined in the British Museum’s most recent BODFA letter</td>
</tr>
</tbody>
</table>

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

The British Museum will submit the total value and number of Single Tender Contracts exceeding £25,000 it has awarded on a quarterly basis to DCMS and commit to an annual meeting with DCMS to discuss procurement activity over the year.

The British Museum 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

<table>
<thead>
<tr>
<th>Gifts received by British Museum</th>
<th>Unlimited</th>
</tr>
</thead>
</table>
| In a financial year, any one gift or total of gifts by the British Museum:  
  - to one person/organisation;  
  - to staff.  
  Gifts to staff are also subject to the following Cabinet Office guidance: http://www.cabinetoffice.gov.uk/resource-library/guidance-civil-servants-receiving-hospitality. | Up to £1,000 |
Proposals for making gifts outside this delegated limit must have the prior approval of DCMS. The British Museum 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 British Museum 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 British Museum’s Accounting Officer. The British Museum 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/or
- arise because of obscure or ambiguous instructions issued centrally.

1.6.1 Classification of Losses

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Delegation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Losses</td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>Cash losses: Physical losses of cash and its equivalents (e.g. banknotes, credit cards, electronic transfers, payable orders)</td>
<td>£100,000</td>
</tr>
</tbody>
</table>
| (ii) | Bookkeeping losses:  
  - unvouched or incompletely vouched payments, including missing items;  
  - charges to clear inexplicable or erroneous debit balances. | £100,000 |
<table>
<thead>
<tr>
<th>(iii)</th>
<th><strong>Exchange rate fluctuations:</strong> Losses due to fluctuations in exchange rates or revaluations of currencies.</th>
<th>£100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(iv)</td>
<td>• Losses of pay, allowances and superannuation benefits paid to civil servants, members of the armed forces and NDPB employees:</td>
<td>£100,000</td>
</tr>
<tr>
<td></td>
<td>• overpayments due to miscalculation, misinterpretation, or missing information</td>
<td>£100,000</td>
</tr>
<tr>
<td></td>
<td>• unauthorised issues, e.g. inadmissible payments</td>
<td>£100,000</td>
</tr>
<tr>
<td></td>
<td>• losses arising from other causes, e.g. non-disclosure of full facts by the beneficiary, short of proven fraud.</td>
<td>£100,000</td>
</tr>
<tr>
<td>(v)</td>
<td>Losses arising from overpayments of social security benefits, grant, subsidies, etc. arising from miscalculation, misinterpretation or missing information.</td>
<td>£100,000</td>
</tr>
<tr>
<td>(vi)</td>
<td>Losses arising from failure to make adequate charges for the use of public property or services.</td>
<td>£100,000</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Special payments:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) extra-contractual and ex gratia payments to contractors;</td>
<td>£100,000</td>
</tr>
<tr>
<td>(ii) other ex gratia payments;</td>
<td>£100,000</td>
</tr>
<tr>
<td>(iii) compensation payments;</td>
<td>£100,000</td>
</tr>
<tr>
<td>(iv) extra-statutory and extra-regulatory payments.</td>
<td>£100,000</td>
</tr>
</tbody>
</table>

**1.6.3 Disposal of Land**

Limit for land and buildings: £1,000,000 net book value.

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 Approval for retention of receipts**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL receipts</td>
<td>£78,000,000</td>
<td>£82,000,000</td>
<td>£87,000,000</td>
<td>£91,000,000</td>
</tr>
<tr>
<td>Capital DEL receipts</td>
<td>£139,000,000</td>
<td>£132,000,000</td>
<td>£155,000,000</td>
<td>£190,000,000</td>
</tr>
</tbody>
</table>

**2. Spend controls**
2.1 The British Museum 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 British Museum, with the following exceptions:

- advertising and marketing and
- property, including facilities management

3. Procurement

3.1 The British Museum 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, British Museum 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 (Information Note 03/15) and www.ojec.com/thresholds.aspx.

3.2 The British Museum 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 British Museum has flexibility to opt in or out of central procurement on a case by case basis. However, where possible and appropriate, the British Museum shall utilise whichever Crown Commercial Services frameworks are relevant to its needs.
4. Efficiency

4.1 In the Spending Review Settlement Letter, the British Museum 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. The British Museum 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 British Museum to provide in the course of a 12 month period. These may be subject to change depending on future information requirements.

<table>
<thead>
<tr>
<th>Timescale</th>
<th>What</th>
<th>How</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly (9th working day of each month)</td>
<td>Grant-in-Aid requests</td>
<td>Via Finance Partnership Webpage</td>
<td>To get the ALB’s latest forecast income and expenditure for reporting to Board and HM Treasury.</td>
</tr>
<tr>
<td>Monthly</td>
<td>Consultancy return (including nil returns)</td>
<td>By e-mail to DCMS Procurement and Commercial Team</td>
<td>To enable Cabinet Office to keep track of the number of public sector consultancy contracts.</td>
</tr>
<tr>
<td>Monthly</td>
<td>Cash management figures within GBS accounts</td>
<td>By e-mail to Finance</td>
<td>To supply HM Treasury with forecast for cash management inside GBS</td>
</tr>
<tr>
<td>Monthly</td>
<td>Spend over £25,000</td>
<td>On the ALB’s website</td>
<td>Transparency: to inform public how public money is spent</td>
</tr>
<tr>
<td>Quarterly</td>
<td>Key metrics (total procurement spend, spend with SMEs and the Voluntary, Community and Social Enterprise sector)</td>
<td>By e-mail to DCMS Procurement and Commercial Team</td>
<td>Benchmarking of procurement spend and provision of data on economic effect of spend by Departments and ALBs</td>
</tr>
<tr>
<td>Frequency</td>
<td>Description</td>
<td>Method</td>
<td>Purpose</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------------------------</td>
<td>-----------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Quarterly</td>
<td>Exchequer funds held in commercial bank accounts</td>
<td>By e-mail to Finance</td>
<td>To supply HM Treasury with details of how much government funding is held outside GBS</td>
</tr>
<tr>
<td>Quarterly</td>
<td>Medium Term Financial Model returns</td>
<td>By e-mail to Finance</td>
<td>To get the ALB's latest capital profiles for internal management and reporting to Finance Committee</td>
</tr>
<tr>
<td>Six-monthly</td>
<td>Publication of senior salaries and organograms</td>
<td>On the ALB's website or hosted on DCMS website</td>
<td>Transparency: to inform public how public money is spent</td>
</tr>
<tr>
<td>Annually</td>
<td>Alignment/WGA</td>
<td>Alignment consolidation packs, WGA transactions and balances exercise</td>
<td>Alignment: to consolidate the ALB's resource accounts within the DCMS resource accounts WGA: to gather counter-party details for consolidation</td>
</tr>
<tr>
<td>Annually</td>
<td>Sustainability data</td>
<td>By e-mail to Finance and DCMS Sustainability Champion</td>
<td>To meet HM Treasury requirement to supply centre with sustainability data</td>
</tr>
<tr>
<td>Annual</td>
<td>EU public procurement statutory return (Schedule 1 or Schedule 2 as appropriate)</td>
<td>By e-mail to Cabinet Office</td>
<td>Legal requirement to provide data on number of tenders advertised in the European Journal</td>
</tr>
<tr>
<td>Annually - Mid August</td>
<td>Country and Regional analysis data</td>
<td>By e-mail to Finance</td>
<td>HM Treasury requirement - feeds into the Core Tables for the Annual Report and Accounts</td>
</tr>
<tr>
<td>Annually</td>
<td>Annual report and accounts</td>
<td>By e-mail to Finance as per timetable (separate guidance is issued on this)</td>
<td>Statutory obligation</td>
</tr>
<tr>
<td>Frequency</td>
<td>Description</td>
<td>Method of Delivery</td>
<td>Purpose</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Annually</td>
<td>Pay Remit and pay remit outturn</td>
<td>By e-mail to ALB Team</td>
<td>To ensure spend on pay is aligned across Government</td>
</tr>
<tr>
<td></td>
<td>Publication of salaries over £150k</td>
<td>By e-mail to ALB Team (for publication on Cabinet Office website)</td>
<td>Transparency: to inform public how public money is spent</td>
</tr>
<tr>
<td></td>
<td>Sharing of Strategic Risk Register as per paragraph 13.1 of the Governance framework.</td>
<td>At annual performance meeting</td>
<td>Enable timely and appropriate response to risk</td>
</tr>
<tr>
<td>Annual</td>
<td>Efficiency Return</td>
<td>Pro-forma</td>
<td>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.</td>
</tr>
<tr>
<td>Ad hoc</td>
<td>Completion and updating of e-Pims™ database</td>
<td>Directly into e-Pims™ system</td>
<td>To ensure accurate property and estate information is maintained at all times</td>
</tr>
<tr>
<td>On request</td>
<td>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.</td>
<td>With Finance and Head of, on request</td>
<td>Assurance of financial management</td>
</tr>
</tbody>
</table>
Part C: British Museum 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 British Museum. This document sets out the broad framework within which the British Museum will operate. The document does not convey any legal powers or responsibilities. It is signed and dated by DCMS and the British Museum. 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 British Museum’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 British Museum Chair; all other changes will be made by exchange of letter between the DCMS Permanent Secretary and the British Museum’s Director.

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 British Museum 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 British Museum derive from The British Museum Act 1963 and the Museums and Galleries Act 1992. The British Museum 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 British Museum’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 British Museum'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 twenty-four members that have a balance of
skills and experience appropriate to directing the British Museum's business.
15 of are appointed by the Prime Minister, 5 by the Trustees, 1 by HM the
Queen, and 4 by the Secretary of State on the nominations of the Royal
Academy, the Society of Antiquaries of London, the British Academy and the
Royal Society respectively.

2.6 The Director is appointed by the Board of the British Museum 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 British
Museum 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 British Museum, 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 British Museum. The general duty is set out in
section 26 of the Charities 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
British Museum 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 British Museum and is also responsible for ensuring
arrangements are in place to:
• monitor the British Museum’s activities on a continuous basis;
• address significant problems in the British Museum, making such interventions as are judged necessary
• periodically carry out an assessment of the risks both to the department and British Museum objectives and activities
• inform the British Museum of relevant government policy in a timely manner, and,
• bring concerns about the activities of the body to the full British Museum 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 British Museum within the Department.

5. British Museum Accounting Officer’s responsibilities

5.1. The DCMS Principal Accounting Officer will normally appoint the permanent head of British Museum, i.e. the Director, to be the Accounting Officer for the body. The duties of the British Museum’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 British Museum’s Board and other stakeholders.

5.2. The British Museum 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 British Museum, for the day-to-day operations and management of the British Museum and the achievement of its strategic aims. In addition, he or she should ensure that the British Museum 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 British Museum 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 British Museum’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 British Museum 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 British Museum’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 Director 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 British Museum 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 British Museum 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 British Museum’s ability to fulfil its aims and objectives and keeping the responsible DCMS Minister informed if any such developments arise;
• ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority, within the resources framework determined by the Secretary of State and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department; and
• ensuring that the British Museum complies with the requirements of charity law where this applies;
• ensuring that the Board receives and reviews regular financial information concerning the management of the British Museum; is informed in a timely manner about any concerns about the activities of the British Museum; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
• demonstrating high standards of corporate governance at all times, including using its Audit Committee to help the Board to address key financial and other risks;
• appointing with the Prime Minister's approval a Director and, in consultation with the Department, set remuneration terms linked to performance against objectives for the Director;
• ensuring that any public functions of the British Museum are carried out in compliance with statutory duties.

7. The Chair's responsibilities

7.1. The Chair is responsible to the Secretary of State for ensuring that the British Museum fulfils its statutory purpose as set out in its founding legislation, that it complies with charity law, that where appropriate the British Museum's policies are consistent with those of the Secretary of State, and that the British Museum's affairs are conducted with probity. The Chair is also responsible for good governance and for ensuring that the principles set out in the 'DCMS Guidance on Board Appraisal Processes for ALBs' are followed.

7.2. In addition, the Chair has the following leadership responsibilities:

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

7.3. The Chair also has an obligation to ensure that:
• the performance of the Board and its individual members are reviewed annually and operate effectively and to instigate remedial action should this not be the case
• the Board has a balance of skills appropriate to directing the British Museum business, as set out in the Government Code of Good Practice on Corporate Governance
• Board members are fully briefed and understand their terms of appointment, duties, rights and responsibilities
• when required, he or she, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice
• the responsible minister is advised of British Museum needs when Board vacancies arise
• he or she assesses the performance of individual Board members when being considered for re-appointment, and
• there is a code of practice for Board members in place consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

8. Individual Board members’ responsibilities

8.1. Individual Board members should:

• comply at all times with the Board Members’ Code of Practice and with the rules relating to the use of public funds and to conflicts of interest
• not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations
• comply with the Board’s rules on conflicts of interest and the acceptance of gifts and hospitality, and
• act in good faith and in the best interests of the British Museum.

9. Publications and information strategy

9.1. The British Museum will have responsibility for contributing to the Government’s system of democratic accountability by making information available to the public on the quality and productivity of its services, value for money, performance and progress on delivery. The British Museum will:
• provide timely and accurate information required for Parliamentary Questions, responses by Directors to Parliamentary Questions and contributions to Ministerial and public correspondence. The British Museum will be responsible for responding to requests under the Freedom of Information Act within the statutory time limit;
• publish, or cause to be published, an annual report of its activities together with its audited resource accounts after the end of each financial year. The British Museum shall provide the Department with its finalised (audited) accounts in accordance with the annual guidance produced by DCMS; and
• publish other information as required by the Department in the interests of transparency and as communicated from time to time.

9.2. The annual report must:

• cover any corporate, subsidiary or joint ventures under its control;
• comply with the Treasury’s Financial Reporting Manual (FReM) where this does not conflict with charitable accounting requirements in the Statement of Recommended Practice (SORP);
• contain a governance statement, setting out the ways in which the Accounting Officer has managed and controlled the resources used in the organisation during the course of the year, demonstrating how well the organisation is managing risks to the achievement of its aims and objectives;
• outline main activities and performance during the previous financial year and set out in summary form forward plans.

9.3. The report and accounts shall be laid in Parliament and made available on the British Museum’s website and GOV.UK, in accordance with the guidance in the FReM and SORP. The British Museum should aim to submit a draft of the report to the Department in May/early June. The final version should be submitted for Ministerial approval at least three weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Department as well as the FReM and SORP.

9.4. Additionally the British Museum will be expected to publish information relating to the delivery of its services and policies. In particular this should include information that will help the public to: (i) see progress against activity which the British Museum has made a public commitment to deliver; (ii) judge if the services and/or outputs offer value for money; and
(iii) consider whether the way in which the body operates gives rise to any issues around fairness.

9.5. Where the British Museum conducts or commissions social or economic research, relevant professional standards should be applied to ensure that research is impartial, of sufficient quality, legal and ethical. The British Museum should nominate a lead contact for research of this type and share their programme of planned and published research with the Head of the DCMS Evidence and Analysis Unit for information purposes. Further guidance on conducting research can also be obtained from the DCMS Evidence and Analysis Unit.

10. Internal Audit

10.1. The British Museum shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury’s Public Sector Internal Audit Standards (PSIAS);
- ensure DCMS is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS Section 1110.
- 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 British Museum 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 British Museum internal auditor, including where the service is contracted out, for the purpose of obtaining assurance as to the British Museum’s handling of public funds and effectiveness of financial controls.

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

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

- the British Museum 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 (GRAA) 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 British Museum on whom – the National Audit Office 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 British Museum;
- 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 British Museum;
- 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 British Museum 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 British Museum 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 British Museum will provide access to the Department to all the British Museum'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 British Museum 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 British Museum 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 British Museum shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- the British Museum shall comply with the delegated financial limits agreed with the Department. These delegations shall not be altered without the prior agreement of DCMS;
- the British Museum 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 British Museum shall provide DCMS with such information about its operations, performance individual projects or other expenditure as the sponsor department may reasonably require; and
the British Museum 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 British Museum 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 British Museum 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 British Museum’s best estimate of its available income, including any grant or grant in aid or any other funding within the British Museum.

16. British Museum staff

16.1. Within the arrangements approved by the responsible minister, the British Museum 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. The British Museum has the freedom to opt out of the Principal Civil Service Pension Scheme (PCSPS) for new staff. To take advantage of this freedom, the British Museum must follow the terms 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 British Museum must follow the processes set out in the DCMS “Guidance on Staff Exits”.

16.4. The British Museum 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 British Museum 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 British Museum Board but are expected to be affordable, realistic and responsible.

16.5. The British Museum shall operate pay restraint, particularly in terms of senior salaries. The British Museum 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 British Museum must seek approval from the Secretary of State and the Chief Secretary of the Treasury.

16.6. The British Museum is subject to the Procurement Policy Note 08/15 – Tax Arrangements of Public Appointees, and any guidance that may supersede it. The British Museum 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 British Museum Accounting Officer and not exceed a period of six months. The British Museum is also responsible for ensuring that any temporary off-payroll workers employed are meeting their tax obligations.

17. Review

17.1. The British Museum may be reviewed periodically, by DCMS in accordance with:
- the business needs of DCMS and of the British Museum;
- Cabinet Office guidance; and

18. Budgets and Grant-in-Aid

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

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

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

20. Investing non grant income

20.1. The British Museum 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 British Museum 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 British Museum’s performance shall be reviewed by the Department periodically in accordance with the engagement strategy.

22. Delegated authorities

22.2. The British Museum 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 British Museum’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;
- charging any asset or security, giving guarantees, indemnities or letters of comfort or knowingly incurring any other contingent liability above the delegated limit of £100,000;
- 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; and/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 British Museum has been exempted from the requirement to use the Government Banking Service (GBS).

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

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

24. Borrowing - Voted Loans

24.1. The British Museum 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 British Museum 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 British Museum 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 British Museum'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 British Museum 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 British Museum'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 British Museum is subject to the public sector equality duty in section 149 of the Equality Act 2010, requiring the British Museum 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 British Museum 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 British Museum’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](https://www.gov.uk/government/collections/cyber-security-guidance-for-business).

27.2. As a minimum, the British Museum 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](http://www.cyberstreetwise.co.uk/cyberessentials). Departmental officials can offer further guidance and support.

Signed by:
Annex A: Compliance with guidance and instructions

The British Museum 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);
- 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;
- Government Financial Reporting Manual (FReM);
  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);
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;

- Guidance on major projects issues by the Major Projects Authority; http://www.cabinetoffice.gov.uk/content/major-projects-authority
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the British Museum.