

RUTHERFORD LABORATORY FINANCE SUB-COMMITTEE

Financial Procedures

by

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This paper sets out the procedures and practices at present in operation in the Laboratory. It is intended primarily as a guide to group leaders and other officers with financial responsibilities for the Laboratory's affairs.

A. CAPITAL SCHEMES

This heading applies only to Plant and/or Building Construction works costing more than £10,000 in total. The word scheme will in future be confined to this particular definition. Other activities will be called projects.

1. Approval Procedure

- (a) A proposal for a scheme will be initiated by an officer known as the Sponsor. In all cases, the first paper will be submitted to the Division Heads Committee for approval in principle. This paper should include the following:
 - (i) The reason for the scheme.
 - (ii) Whether or not the scheme is within the existing programme.
 - (iii) What consequential proposals may be expected.
 - (iv) The proposed time scale.
 - (v) A full descriptive breakdown of costs, indicating the degree of accuracy.
 - (vi) The probable spend by years.
 - (vii) The annual operating cost if applicable including particularly any staff required.
 - (viii) What further site services may be required and are not included in the financial estimate.
 - (ix) What allowance for contingencies has been included.
 - (x) What contractual arrangements are proposed, e.g. competitive tenders.
- (b) Following approval in principle by the Division Heads Committee, a paper should then be submitted to the Finance Sub-Committee for (1) the allocation of funds if available and (2) approval of the paper to the next approving authority. All schemes costing over £10,000 require a paper to Nuclear Physics Laboratories Committee. The next stage for schemes exceeding £20,000 is a paper to the Nuclear Physics Board. Above £50,000 a paper to the Science Research Council is necessary and above £100,000 the Council will arrange for a paper to be submitted through the Department of Education and Science to the Treasury.

The time-scale from first paper to final approval depends on the total value and on the urgency of the scheme. External meetings

are phased at approximately three weekly intervals to allow time for a proposal to pass to the next approving authority. A scheme costing between £20,000 and £50,000 should receive approval from the Nuclear Physics Board about six weeks after approval by the Finance Sub-Committee. Approvals in the £50,000 and £100,000 range will take about three weeks longer. The timing of schemes in excess of £100,000 is unpredictable and may well require several months.

- (c) All new schemes should include a provision for contingencies to cover such factors as:-
- (i) The known dependence of major design features on further R. and D.
 - (ii) Lack of detailed knowledge of local conditions.
 - (iii) Design changes arising from problems which are not foreseen at the outset but which experience suggests are likely to occur.
 - (iv) Changes arising from new R. and D. information whilst the work is proceeding.
 - (v) Minor variations in the details of design.
 - (vi) Normal divergences between estimates and tenders.

No contingency provision should be made for possible increases in cost due to future variations to wages and prices. Contingencies are not to be used for the extension or the enlargement of the basic specification.

- (d) The estimated cost of the scheme should include an appropriate sum for fees. These fees will include charges by the UKAEA for schemes where they act as our agents for design etc. They should also include quantity surveyor and design costs if a separate contract is let for the particular scheme. In addition, contracts for design and manufacture or design and construction will be included in full.

It will not be necessary to include provision in the estimated cost of the scheme for the following:

- (i) Laboratory labour on design work and supervision.
- (ii) Contract labour and design work and supervision.
- (iii) QS and or design work on running contracts.
- (iv) Inspection charges
- (v) Construction supervision except charged by the UKAEA.
- (vi) Fees necessary to produce the initial estimate in order to submit the scheme for approval.

2. Management of Approved Schemes

- (a) All approved schemes require a system of control to achieve the following objectives:-
- (i) Early warning if the amount approved for the scheme is likely to be insufficient to complete to approved specification.
 - (ii) When required, detailed explanations for any foreseen increases to enable a paper for increased approval to be prepared.
 - (iii) The prevention of overspending the sum approved. It follows that proposed commitments must be examined before being given financial approval for contract action.

To achieve this control, the Finance Sub-Committee will appoint an officer who may or may not be the Sponsor, to be Manager of the scheme.

For exceptionally large schemes, the Finance Sub-Committee may appoint a Management Committee, the chairman of which, will, in effect, be the Manager. The Manager will submit regular reports to the Finance Sub-Committee through his Division Head. In addition, a Project Officer will be nominated who will act as a technical advisor to the Manager.

- (b) When all the necessary external approvals for a scheme have been received, the Finance Sub-Committee will instruct its Secretary to issue an authority to proceed (ATP) to the Manager. This ATP will set out brief details of the scheme including the financial breakdown and will place such restrictions on the authorisation as may be considered appropriate e.g. the release of only part of the contingency.
- (c) The Manager has an absolute duty to ensure that the project is properly managed in the technical and financial senses. It is his responsibility to call for such returns as he may consider appropriate from the Finance Section and/or Estimates and Records Section. He will decide and communicate to Finance and Estimates and Records Sections the names of officers authorised to sign against the project number(s) allocated to the scheme together with the financial limits. The normal signing levels by grades referred to in Section E will be observed. Briefly these are Division Head up to £1,000 Banded Officer up to £500, PSO or equivalent up to £250, SS0 or equivalent up to £100.

When all or part of a scheme is to be controlled by the UKAEA Works Group, the Manager must ask the Finance Officer of the Laboratory to issue an instruction to proceed (ITP) to the Finance Officer of the UKAEA group. For work being carried out by Engineering Services Department, the Manager will issue an NI 12 to the ESG which in effect gives authority to the appropriate members within the ESG to sign warrants and requisitions against the scheme project number(s) at double the normal signing power levels. It should be noted that warrants are not given financial approval prior to issue.

- who he sponsored?*
- (d) The Manager, having been given his ATP by the Finance Sub-Committee, should set out in detail the arrangements between the Project Officer and himself for the control of the project. This statement of arrangements should include the following:
 - (a) The specification with reference to drawing numbers as appropriate.
 - (b) The total amount released by the Finance Sub-Committee with a breakdown.
 - (c) The amount of any working allowance or contingency released by the Finance Sub-Committee, together with any restrictions on its use.
 - (d) The statement that the Manager and Project Officer will hold a formal meeting once a month to discuss progress and to agree a report to the Finance Sub-Committee.

B. PLANT BUDGETS

This heading covers the Laboratory requirements for beams and accelerator plant for Nimrod and miscellaneous apparatus for the HEP and Applied Physics Divisions. These requirements do not form a scheme within the accepted

definition and are controlled financially on the basis of annual spend. Nevertheless for approval purposes it is the practice to list immediate future requirements in a paper to the Nuclear Physics Board seeking approval to place orders in line with the forecast requirements. A monthly statement is submitted to the Finance Sub-Committee showing the probable spend in the current and the following year indicating the amount firmly committed and the amounts still to be committed. Responsibility for the control of these budgets lies with the appropriate Division Head and he authorises delegation of signing powers in accordance with Laboratory policy. Separate Project Numbers are issued for various sections of plant budgets to assist the Division Head in control.

C. MINOR CAPITAL

1. Items of plant to be constructed or purchased and expected to cost less than £10,000 are ordered through the normal R. and D. budgeting procedure dealt with in Section D.
2. Capital building works costing less than £1,000 are within the responsibility of Division Heads and are ordered on their normal divisional R. and D. budgets. Again there is no financial mechanism for the control of these projects within the sums approved.

Building and site services projects within the range £1,000 - £10,000 are the responsibility of the Chief Engineer and will normally be included in his divisional budget. All these minor building works are charged to one project number (0509) but individual commitments by projects are recorded in the Estimates and Records Section. A return is made monthly to the Finance Sub-Committee setting out the current approval, anticipated final costs and percentage of construction completed.

D. NON-CAPITAL

1. Salaries and Wages Expenditure

Control of this expenditure is achieved indirectly by means of complement limitations. The hiring of contract labour to work on site under the control and supervision of Laboratory staff is subject to financial control through the R. and D. budget procedure dealt with in D(3).

2. University Agreements

Agreements for EMR and for supporting experimental teams from Universities are controlled through Scientific Administration Group who are responsible for the preparation of the agreement and the forecasting of annual expenditure.

3. Divisional Budgets

Approximately half the Laboratory's annual allocation of funds is spent through these budgets. Amounts are allocated to projects within divisions and the appropriate officer responsible for each project is permitted to commit up to the total sum allocated in the financial year. The conversion of these commitments into expenditure is done centrally by Finance and Accounts Group. Apart from certain restrictions set out in Section E, commitments may be made up to the limit of the annual allocation on all types of requirements for the project activity except contract labour. Separate budgets for contract labour are allocated within the total sum allowed for the project. This contract labour allocation must not be exceeded and it is controlled in total by a separate return to the Finance Sub-Committee.

E. GENERAL

1. The Laboratory system of recording and control is based on project numbers. Commitments and expenditure are recorded against these numbers, with such control and examination as may be required. For example, a capital scheme may have one or a series of project numbers allocated to it and commitments will only be authorised provided that the accumulated amount does not exceed the amount authorised. On R. and D. budgets, a separate project number is allocated for each activity, and commitments are accepted and recorded in the returns to the Finance Sub-Committee on a monthly basis.

2. The responsibility for the amount committed against a particular project number rests with the officer responsible for that project or scheme. A system of delegation of committing powers within a particular project number is in operation and is limited to named officers and to ceiling amounts. This signing level system ensures that senior officers are aware of the larger items which are being ordered. The senior officer can of course veto a particular order but this is not the prime object of the system. RLN 165 sets out the general rules for signing powers on R. and D. budgets and these are still operative. Changes in project numbers and names of persons authorised to sign on them have taken place with the passage of time and D.A.O.s have up to date details.

There is no financial ceiling to the Director's Signing powers for non-capital purchases and for contracts within approved schemes provided that:

- (a) Competitive tender action is taken
- (b) the proposal is not of an exceptional or controversial nature
- (c) it is not an amenity item
- (d) in the case of a capital scheme, the proposal will not cause the approval amount to be exceeded.

3. Purchasing procedures are set out in RLN 7/68. Long delays can arise between receipt of tenders and the placing of a contract. These delays frequently occur due to an underestimate of the time required to obtain approvals from outside the Laboratory. To keep Contracts Section informed, all P.Q. requisitions over £10,000 must give a realistic estimate of the date on which financial approval to proceed is expected.

4. RLN 191 sets out the rules for the control of equipment and precious metal inventories which are necessary to conform with the Treasury Practice for the protection of public property.

5. RLN 5/68 lists the items on which ordering restrictions apply. In addition special rules exist for "amenities" where delegated financial powers are considerably lower than other items. All proposals for amenities should be referred to the Finance Officer before any ordering action is taken.

6. The Laboratory, under delegated powers from the S.R.C., can incur expenditure in foreign currencies up to £10,000 on any one purchase. Delegations below this sum follow normal signing procedures and levels. Above £10,000 approval is needed from London Office and adequate time should be allowed to obtain this approval before placing the order.

7. RLN 3/67 sets out the arrangements for disposal of stores and equipment. Items not exceeding £250 in value may be offered for sale directly to a University or College, subject to the approval of Finance and Accounts Group. The London Office of the S.R.C. have power to approve gifts of obsolete stores and equipment

to educational establishments up to a value of £50 for each item. Financial approval can be obtained through the Finance and Accounts Group.

8. Whilst it is not the Laboratory's function to perform services for other organisations, arrangements do exist for the recording of costs on work to be re-charged. Any proposal should be discussed with the Finance Officer before commitments are entered into it.

9. The procedures for the removal of S.R.C. and contractors property from the Rutherford Laboratory site are set out in RLN 21/68.