

No 230

THE NATURAL HISTORY MUSEUM

AT A MEETING ON

TUESDAY 22 MAY 2012

AT 9.00 A.M.

AT THE NATURAL HISTORY MUSEUM

Present

TRUSTEES

Oliver Stocken (in the Chair)
Daniel Alexander QC
Louise Charlton
Professor David Drewry
Professor Christopher Gilligan
Professor Alex Halliday FRS
Professor Sir John Holman
Dr Derek Langslow CBE
Professor Georgina Mace CBE FRS
Sir David Omand GCB

In Attendance

Frances Allen (Minutes)	Executive Assistant to the Director and Secretary to the Board
Sharon Ament	Director of Public Engagement
Rachael Casstles	Special Adviser to the Director
Dr Michael Dixon	Director
Neil Greenwood	Director of Finance & Corporate Services
Joe Baker	Special Adviser to the Director
Professor Ian Owens	Director of Science
Louise Emerson	Head of Business and Commercial Strategy

Apologies for absence were received from Professor Sir Roy Anderson who has been required to travel to Ethiopia at short notice on Imperial College business and Ian Henderson who is on holiday.

1406 MINUTES OF THE MEETING OF 28 FEBRUARY 2012

The minutes of the meeting of the Trustees held on 28 February 2012 were confirmed as a true record.

1407 MINUTE OF THE CONFERENCE CALL OF 30 MARCH 2012

The minute was confirmed as a true record.

1408 MATTERS ARISING FROM THE MEETING OF 28 FEBRUARY 2012 (TP 12/16)

Memorandum of Understanding with the Royal Botanic Gardens, Kew: It was noted that the appointment of Professor Hopper's (Director) successor will be announced in the near future and the Museum will engage with the new Director to take forward initiatives. A progress update will be submitted to the July meeting of Trustees.

NHM App: Ms Ament reported that the Evolution app is being finalised and will be demonstrated to Trustees at the July meeting.

1409 CHAIRMAN'S REPORT

Director of Public Engagement: Trustees offered their congratulations to Ms Ament and on her appointment as Director of the Museum of London. Trustees lamented that Ms Ament's departure will be a loss to the Museum.

Staff Departures: Trustees noted the following staff departures: Graham Higley (Head of Library and Information Services) will be retiring from the Museum in July, Mike Sarna (Head of Interpretation) and Zöe Watts (Head of Catering and Events) who will be leaving to join other organisations.

1410 DIRECTOR'S REPORT (TP 12/17)

Minor fire at Wandsworth: The incident was fully investigated and a detailed report submitted to the Audit and Risk Committee on 9 May and the Committee was satisfied that this incident had been dealt with appropriately. This incident highlights why the management of external contractors is listed as a major corporate risk and is routinely evaluated by Audit and Risk Committee.

Ethical Review framework, corporate engagement and reputational risk management: *NOTE: Sir David Omand declared an interest as a non-executive Director of an aerospace company exhibiting at the Farnborough Air Show, and said that he would not take part in Board discussions on this subject.*

The Museum had accepted an events booking by Farnborough International and as a result the Campaign against the Arms Trade had mounted an email campaign against the Museum. It had transpired that, quite unbeknown to the Museum, Farnborough International organises arms trade exhibitions in addition to the air show. The campaign was being managed effectively by the Museum's communications team.

Trustee appointments: It would appear from recent communications from the Secretary of State that the Government wants to have more involvement in the appointment of Trustees to arms length bodies (ALBs) to impose, amongst other things, its desire for boards to have more philanthropic membership. This has been borne out by recent experiences of sister organisations whereby recommendations approved by DCMS have not been subsequently approved at a higher level. It would also appear that the intention is that Trustee reappointments will only be approved in exceptional cases and will require the involvement of Ministers in this process. The Board felt that this would have a negative impact on the Board as an eight year tenure is essential to provide good continuity. The Audit and Risk Committee had recommended that the Chair should stress to the Secretary of State that as a scientific institution the Museum needed to appoint trustees with scientific and other relevant expertise.

Trustees approved the proposal to reverse the two upcoming appointments so that the "business and commercial" Trustee is the Prime Ministerial appointment and the scientific Trustee the co-opted appointment.

Establishment of the Natural History Museum Development Trust: On 9 May the Museum transferred to the Natural History Museum Development Trust a capital grant payment of £3.5m, including £1.262m of historic reserves, in accordance with Trustee approval at the February 2012 Board and a Special Meeting of 30 March 2012.

Threats of further cuts to grant-in-aid: There have been indications across Whitehall about 5% of departmental budgets being held as contingency, with prospects of cuts of this amount being required if the recovery of the economy falters. The Executive will be working on how the Museum would respond should these cuts be applied and the current expectation is that this should be done in preparing the 2013/14 budget for the Museum.

Strategic review of Planning and Design Consultancy: The review is now well advanced and should report to the Executive Board in June. If so, the review will be submitted to the Audit and Risk Committee in July.

Attendance figures: The Museum received a record number of visitors in April (circa 540,000) with the annual total exceeding 5 million for the first time ever. This rising trend has implications on the future infrastructure needed to accommodate this number.

The increased number of visitor has an obvious impact on queue management and during the busy Easter period entry via the West Grounds and DC2 was enabled to provide an additional entry point. This proved successful, so too was the use of social media in redirecting visitors to less busy areas in the Museum. These arrangements will be used at busy times throughout the year.

Temporary exhibition attendance is also good. It was acknowledged that the lower than anticipated performance of *Scott's Last Expedition* was due to optimistic target figure and the competition it faced from other similar exhibitions in Scott's centenary year. However, it was noted that the exhibition has the busiest footfall throughout the week (due to the profile of visitors) and the biggest spend per capita in the shop.

Property Advisory Group: The Museum is to establish a Property Advisory Group, Chaired by Ian Henderson, to help the Trustees and Executive Board with the longer-term estate development issues for the Museum. The Board will include a number of specialists who will be able to inject the sort of expertise that is required.

1411 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (TP 12/18)

Professor David Drewry declared changes to the Register of Interests. These were noted by the Secretary to the Board.

1412 MUSEUM FUNDING (TP 12/19)

The Museum funds its operations from a combination of resource grant-in-aid and the net contribution from self-generated income. In order for the Museum to achieve its vision (*by 2016 to be widely regarded as the world's leading natural history museum*) it needs to ensure that it is adequately resourced in terms of maximising income (and surplus). The success in generating external income does hinge on the ability to promote the Museum externally and one of the Director's goals is to increase corporate communication in a way that really promotes the full breadth of the Museum.

The Executive will submit to Trustees at successive meetings a series of papers to outline how the Museum plans to increase income generation in each of the following funding streams:

- Government grant-in-aid (GIA) – both resource and capital
- Development income (from the corporate sector, trusts and foundations and individuals)
- Grant income – for Science and potentially to fund other academic areas of the Museum's work, such as educational research
- Commercial activities (onsite, offsite and online)
- From the provision of consultancy services
- From the provision of education and training (e.g. educational materials working with external partners and the provision of post graduate training courses for scientists)

The biggest component of the Museum's funding is government support through grant-in-aid (GIA) funding, which was approximately 63% of gross income in 2010/11. The expectation is that this central funding will diminish in real terms future years so the emphasis on generating external income will become paramount. The increasing pressure to raise money through philanthropic giving is viewed by some as an excuse by Government to reduce GIA funding, but the Director believes that the Government recognises the strengths of the mixed-funding model and the need to maintain public subsidy as a platform on which to build commercial and philanthropic income.

1413 COMMERCIAL STRATEGY (TP 12/20)

Ms Louise Emerson summarised her paper - the Commercial Strategy - that set out the principles on which the Museum's assets are commercialised. Its vision and mission of the Commercial Strategy are summarised as:

Vision: *to generate the highest profitable commercial income within a Museum whilst delivering the Museum mission and objectives.*

Mission: *to maximise profitable income and brand reach from Museum assets and reputation*

The Museum's profitable commercial income has increased steadily over the past 5 years due to a variety of reasons including the accumulation of a skilled Commercial team, which works well with other departments to identify and develop new business opportunities. The Commercial Department finished 2011/12 with the turnover of £13.6m (and contribution to the Museum of £5.3m) and the objective is to have a turnover of £18.7m with a contribution to the Museum of £7.7m by 2016/17.

The Commercial Strategy is primarily to enhance the Museum's financial stability and act as a vehicle for increasing the brand reach of the Museum from its assets and reputation. Brand reach is achieved in a variety of ways with Touring Exhibitions being one of the best examples, which in the past year has toured exhibitions to 17 countries across the world.

Whilst some strands of activity have attracted increased income for the Museum others, such as the events business, have fallen victim to the downturn in the economy. However, the Commercial Department has managed to make up that difference through other businesses, primarily through retail, touring exhibitions, exhibitions and publishing. The Commercial Department is also keen to exploit new emerging business opportunities and special events such as Dino Snores, Night Safari act as leverage for increased income generation.

Ms Emerson highlighted the following objectives for delivering the Commercial Strategy:

- *Online Sales:* Current online sales amount to about 4% with a new eCommerce site this could be expected to rise to 10%. In 2010 the Commercial Advisory Committee undertook a review of how the Museum's commercial activities and brand could be developed. The review felt that a number of opportunities could be exploited with online sales highlighted as one business opportunity to be taken forward. A feasibility study will be undertaken in 2012 to inform the development and feed into the capital funding round in September 2012.
- *Touring Exhibitions: Wildlife Photographer of the Year (WPY)* is a prime example of a very valuable Museum asset, which offers opportunities to engage audiences worldwide and generate further income. The USA tour of WPY will be increased using the new light box version of the tour. Most of the Museum's exhibitions are now created to tour giving a pipeline of touring product

Sir David Omand questioned whether the most appropriate business model was being applied and if the Museum could maximise income by touring more of our collections. Mr Alexander was curious to know whether there was a conflict between earning income at the expense of touring exhibitions in impoverished parts of the country as outreach is part of the Museum's public service remit. Ms Emerson referred to the Ancient Human Occupation of Britain (AHOB) exhibition as an example of how two business models can work in tandem, i.e. the larger museums buy the full exhibition and smaller displays from the exhibition are made available and provided free of charge to some smaller museums.

- *Publishing:* Publishing is now generating healthy annual income (rising from a loss-making position five years ago). The Publishing Department is aware that new technologies threaten to erode the traditional publishing model, particularly the development of tablets and other digital platforms and the Department intends to utilise technological advances and multimedia platforms to develop content with internal and external partners. The Evolution "app" has been developed and will be demonstrated to Trustees in July.
- *Retail:* To achieve this goal it is essential to know the customer base better and research will be undertaken to inform how the Commercial team can exploit the adult and tourist markets. The power of special exhibitions cannot be underestimated where income from the associated shops has increased due to higher conversion rates and average transaction values of £11.50.
- *Licensing:* Licensing will become an area of focus over the next five years with the aim of adding more income to the bottom line, driven by a Direct to Retail strategy. Currently six ranges are being developed to be tested at the shows in September. A Head of Product Development has been appointed to drive this forward. In addition, the Museum collections and expertise attract broadcasting opportunities where there are lots of opportunities to raise fees, drive content, including brand reach and licensing.
- *Membership review:* Membership is a vehicle by which the Museum can achieve one of the prime objectives of the Museum's Strategic Plan by engaging more meaningfully with the public. As part of the review of membership the Commercial department will map the "touch" points with visitors and suggest a Data Collection Policy to be observed across all entry points and also look at how all of our "tools" for engagement can be aligned. The review will assess the current scheme, benchmark and assess opportunities to make recommendations on how the scheme can be improved. This will be completed by September 2012.

The main risks that may thwart delivery of the Strategy is the slow economy and, in the short term, the Olympics where the Museum may see a downturn in visitors not wishing to travel into London. However, this may be offset by the number of seasonal visitors from abroad who make up 60% of total attendance (visitors were up by 27% in April). The biggest capital investment in the short to medium-term future to deliver the plans will be the development of e-commerce and the upgrading of some of the retail outlets.

Trustees joined Ms Ament in congratulating the Commercial team, which has witnessed a level of growth income since Ms Emerson's tenure.

1414 APPLICATION OF THE MUSEUM'S ETHICAL POLICY (TP 12/21)

Mrs Casstles outlined the context of the review and explained that the Trustees had last reviewed the Museum's ethical policy in 2005. This was borne of an agreement the previous year to consider the broader ethical framework for the Museum, within which an advisory panel on human remains might operate. At that point the Trustees agreed to adopt a consistent system of ethical analysis and decision-making, recognising that this was the most practical and flexible method of ensuring further development of consistent ethical responsibility and transparency within the Museum. Consequently the Museum does not have a single overarching policy and the approach is to evaluate each case within its own context. It was also noted that event hire was never part of the agreed process, as it is regarded as a third party transaction. The general policy is that the Head of Functions and Events makes a valued judgement on the commercial hire and only if a risk is perceived is the case escalated to a higher level (the Director of Public Engagement and in turn the Executive Board, as necessary). This is an area that may have to be reviewed.

Recent protests against the Museum from various activist groups underscored the need to review the Museum's current policy and explore whether it could be improved upon to reflect the changing landscape, particularly as the focus on ethics is becoming increasingly strong both in society and research. Mr Jackson reassured Trustees that in common with many scientific research institutions the Museum promotes good scientific practice and documents are in place dealing with good research practice and scientific fraud. In addition, some specialist areas of research require ethical approval and procedures are in place to deal with these.

The paper summarised the application of the Museum's ethical policy in the following areas, proposing amendments as necessary:

- Public Administration
- Museum administration and professional practice
- Practice of Science
- Fundraising
- Research and Consultancy
- Procurement

Mrs Casstles explained that the objective of the review is to try to harmonise the level of risk in these areas and to impose more objectivity and consistency in the application of the procedure. Trustees were asked their views on the current approach and consider, if necessary, how the policy may be future-proofed given that quite often the Museum is dealing with the wisdom of hindsight issues.

Professor Mace felt that the application of an ethical review process across the Museum was being confused with managing reputational risks and for this reason Trustees recommended that these two distinct elements be separated. Dr Langslow felt that the policy should not be too process-driven, but be transparent and robust enough to defend any Freedom of Information request. To inform the decision-making process Sir David Omand reinforced the view that the Museum has to be clear about its mission, its values, and the behaviours it expects from its staff and those associated with the Museum. This is not only important in setting the moral compass of the Museum, but it also provides the basis for the statements to be included in the policy on the Museum's ethical stance. A component part of a new policy would be to ensure that a due diligence protocol is set for managing reputational risks, which could involve use of light-touch risk assessments across all Museum activities. This is of particular relevance to the newly established NHM Development Trust which, as independent from the main Board, needs guidance on acceptable standards.

ACTION:

Ms Casstles and Mr Jackson were asked to submit a redrafted paper to the July meeting of Trustees, which took account of the Trustees' comments.

1415 TEN YEAR CAPITAL EXPENDITURE PROJECT (TP 12/22)

In November 2011 a group reviewed the Masterplan Development Framework and considered what major capital projects would be undertaken over the next ten years. Some principles were agreed including the decision not to spend money on feasibility studies that do not lead to near-term delivery. The group agreed that a change of approach was needed from *what do we want to do* to *what will it cost* to *what can we afford to do* and *what is the best use of this investment?* This step change coupled with current issues informed a priority list of projects:

- Recurrent capital needs (includes science capital)
- East grounds
- New accessible entrance
- Centralised cooling
- Circulation improvements
- Major galleries
- Learning centre
- Palaeo building
- Flexible collection storage (includes offsite storage)
- Training area

Although the list contained few Science projects, Professor Owens felt that the list responded to current priorities and would provide content-rich galleries to showcase Science collections. Furthermore the provision of flexible collections storage also corresponded to Science Group's priority to design a stable environment for reactive rocks where there is an oxidation problem.

Trustees agreed, in principle, with the overall approach, together with the major capital projects to be undertaken in the next ten years.

1416 PUBLIC ENGAGEMENT GROUP RESTRUCTURE (TP 12/23)

In light of Ms Ament's resignation from the Museum, Ms Ament was absent from the discussion.

The proposed Public Engagement Group (PEG) structure presented by the Director was felt to be the most effective structure to take forward the Strategic Plan and was borne from consultation workshops with Public Engagement Group (PEG) staff. The revised structure mirrored the Science Group reorganisation in that it recognised departmental structures (Programme

Content, NHM Enterprise and Visitor Experience) and cross-cutting programme strands (Learning, Science in Society, Content Themes, which would be time limited and Public Engagement Research). The Director felt that the restructure is evolutionary and reacts to the changing landscape in public engagement arena, as well as enabling PEG and Science to work more effectively together.

The structure also allows those functions with a corporate-wide role to be managed centrally rather than within two major groups (PEG and Science Group). The principal change is that the Communications and Development Departments will report directly to the Director for the foreseeable future, which satisfies the Director's desire that fundraising (via the Development Trust) links in effectively with the Museum's corporate communications. The Director will also Chair the Public Engagement Executive until Ms Ament's successor has been recruited. Mr Greenwood will be responsible for Estates, Finance, HR, ICT and the Museum Project Management Group and Professor Owens will be responsible for Science. This realignment of central activities will also make the recruitment of Ms Ament's successor a more straightforward process. However, Professor Gilligan recommended that the panel should keep an open mind during the recruitment process so as not to restrict the choice of candidate by having an over prescriptive job description based on too fixed a structure.

Trustees endorsed the proposals. Sir John Holman welcomed the fact that the restructure will enable the Museum to position itself to set the standard for public engagement research and drive this forward, as informed research is lacking in the UK. For this reason he urged against subsuming this into a customer relationship management exercise

ACTION:

As is usual with directorial appointments Trustees will be involved in the recruitment process and it was agreed that the Chair and two Trustees will be on the sift and interview panel for the Director of Public Engagement. The Museum will not be appointing an Acting Director for PEG, as interim measures pending recruitment have been put into place

1416 ANNUAL REPORTS

- (i) Annual Health & Safety Report 2011/12 (TP 12/24): Noted
- (ii) Annual Security Report 2011/12 (TP 12/25): Noted
- (iii) Head of Risk & Assurance's Annual Reassurance to the Accounting Officer and Audit and Risk Committee – 2011/12 (TP 12/26)

The Head of Risk & Assurance gave a reasonable assurance that an adequate and effective risk management and internal control framework was in place to ensure the proper conduct of business and the achievement of the Museum's aims and objectives.

Trustees noted that any security risks related to the Olympic period are being dealt with by the Head of Security who is engaged in regular discussions with local police. The biggest risk to Museum business will be the impact on staff travel time and on visitor numbers.

1417 PUBLIC ENGAGEMENT GROUP

- (i) Public Engagement Fourth Quarter Report Update 2011/12 (TP 12/27)

Ms Ament focussed on a number of points from the report:

Special Exhibitions were performing well and the latest figures for *Animals Inside Out* indicate visitor attendance of 52k against a target of 21k. One interesting factor is the international attendance, which highlights the international recognition that the BodyWorlds brand has.

Sexual Nature: will be touring in the USA (Las Vegas) after its current run in Paris.

Gallery Update: PEG has allocated funds to update the content of some galleries. *The Power Within* is the first gallery in the programme of work.

Enlivening the DC: The project's aim is to attract more visitors into the Darwin Centre. The first stage of the process introduced a café into this area and a future plan under consideration is to install a giant bee attractor at the Dinosaur Way entrance. It is intended that this will become another iconic object to capture the public's mind akin to the Diplodocus in the Central Hall and the Blue Whale.

1418 CORPORATE SERVICES GROUP

- (i) Financial Review for the Period April 2011-March 2012 (Provisional Outturn) (TP 12/28)
Trustees noted the summary. Mr Greenwood confirmed that the provisional year end outturn for the General Fund is above the last forecast (end of December 2011) and above the original budget. More significantly this is £2m in excess of the General Fund figure of £6m used for the preparation of the balanced budget for FY 2012/13 presented to Trustees in November 2011.

It was noted (as reported above) that a capital grant payment of £3.5m will be made to the Natural History Museum Development Trust, which will reduce the General Fund to £4.5m. The transfer will ensure that the expenditure was recognised in this financial year.

Trustees gave congratulations to the Museum for the outstanding outturn figures and ask the Director to convey their thanks to the staff. However, Sir David Omand repeated previous warnings made by the Audit and Risk Committee that capital has to be spent within the financial year and that slippages to the capital programme would not be tolerated in future.

- (ii) Carbon Reduction Masterplan: (TP 12/28A)
The Director reminded Trustees that this is a collaborative project resulting from the HMT Invest to Save Programme. The Consortium Plan was launched in autumn 2011. Trustees felt that the proposals as set out in the *Carbon Reduction Masterplan for the 1851 Estate* paper was very generalist with little scientific data, which did not appear to connect with the Museum's overall strategic planning. Professor Mace recommended that the Executive views the paper as a vision for making the estate carbon neutral and quite separately from this the Museum should consider what other environmental sustainability (in terms of energy etc) initiatives it undertakes.

ACTION:

It was agreed that the Director, Mr Greenwood and Professor Owens will discuss the merits of the scheme and possibly escalate to the Property Advisory Board for its consideration of the Museum's engagement.

1419 SCIENCE GROUP

- (i) Science Fourth Quarter Report Update 2011/12 (TP 12/29)
Professor Owens focussed on a number of points from the report:

Science Group Reorganisation: Professor Owens advised that the reorganisation has been proceeding based on the hybrid model and that the Heads of Departments are in place. The process for identifying leaders of the cross-cutting initiatives is in progress. Trustees offered their congratulations.

Individual Merit Promotion – Paul Barrett: Dr Paul Barrett (Department of Palaeontology) has been awarded IMP Level 3 in recognition of his outstanding contributions to his field of research in palaeontology.

EU-Funded Grants: Two key EU grants have been renewed: (1) the third Researcher Nights to be held in September 2012 and SYNTHESYS³ which brings scientific visitors to the Museum.

1420 AUDIT & RISK COMMITTEE REPORT

Sir David Omand, as Chair of the Audit & Risk Committee, reported on the following items from the meeting held on 9 May 2012:

Assurance map: The Head of Risk & Assurance is in the process of developing an Assurance Map, which will cover inherent and corporate risks. Its purpose was to: (a) support annual assurance; (b) avoid duplication of audit work where possible; and (c) support the preparation of the Governance Statement in the annual accounts.

Digital Asset Management System (DAMS): The Head of Interactive Media (Ailsa Barry) gave a presentation on the DAMS project and highlighted two setbacks: (a) the Cabinet Office moratorium on ICT projects above £1m; and (b) the version that had been approved required unforeseen code changes. The contractor and Software Company were working on the latter issue to seek a resolution.

Major corporate risks for 2012/13: The Committee had approved the adoption of the major corporate risks for 2012/13, three of which had been carried from the 2011/12 list. It was interesting to note that all three risks were linked to austerity.

1421 PERFORMANCE

- (i) Performance Outturn to end of Fourth Quarter 2011/12 against DCMS Indicators (TP 12/30)
Trustees noted the report.

1422 AGENDA ITEMS FOR FUTURE BOARD MEETINGS (TP 12/31)

The rolling agenda for future meetings was noted.

1423 EVENTS DIARY (TP 12/32)

1424 ANY OTHER BUSINESS

The Chair asked for the draft agenda for the Trustees' Strategy Day to be presented at the July meeting.

1426 DATE OF NEXT MEETING

Tuesday 3 July 2012 at 0900 at the Natural History Museum.
Tuesday 3 July 2012 at 15.00 – Remuneration Committee
Tuesday 3 July 2012 – 18.30-21.00 - Summer Party