

No 228

THE NATURAL HISTORY MUSEUM

AT A MEETING ON

TUESDAY 28 FEBRUARY 2012

AT 9.30 A.M.

AT THE NATURAL HISTORY MUSEUM

Present

TRUSTEES

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

In Attendance

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

1389 APOLOGIES FOR ABSENCE

Apologies for absence were received from Professor Georgina Mace CBE FRS.

1390 MINUTES OF THE MEETING OF 22 NOVEMBER 2011

The minutes of the meeting of the Trustees held on 22 November 2011 were confirmed as a true record.

1391 MATTERS ARISING FROM THE MEETING OF 22 NOVEMBER 2011 (TP 12/01)

All items of significance were addressed under the current agenda.

Reputational Risk – Ethical Policy: It was agreed at the Board of Trustees meeting in November 2011 that the Executive Board of the Museum would undertake a review of how the Museum manages ethical issues and reputational risks associated with partners on research projects and also with sponsors. As the Museum's Ethical Policy was last reviewed by Trustees in 2005, it was thought timely for the Executive Board to revisit the Policy and framework to determine whether it fully addresses contemporary issues. A paper will be presented to the Board of Trustees in May.

Memorandum of Understanding with the Royal Botanic Garden, Kew: A number of extensive discussions on a range of topics have been taking place and a progress report will be submitted by the Director to the Board of Trustees in July. The Director will submit regular reports on a six-monthly basis thereafter.

NHM App: The Museum is currently working on a number of apps and an "evolution" app will be launched in April 2012. The proposal to approach students in the Computer Department at Imperial College to develop an app is still being considered by Ms Ament.

(The development of apps is not without complication. One such issue is the EU PSI Directive, which is designed to make public sector bodies release information for exploitation by third parties in the development of apps; hitherto museums have been exempt from this Directive. Another complication is related intellectual property and its exploitation by third parties. The Executive Board will give further consideration and submit a paper to Trustees in July).

1392 CHAIRMAN'S REPORT

Board appointments: The Chair reported that Professor Georgina Mace's tenure as Trustee has been extended for six months as a consequence of the delay in the recruitment of her replacement. The delay is due to unexpected intervention by the Prime Minister's office, which is insistent that the Museum appoints a Trustee with philanthropic rather than biodiversity expertise. Indications are that in future all role specifications for publicly funded bodies will have to include a commitment by Trustees to fundraise for the organisation.

It was noted that Mr Henderson (a co-opted Board member) retires from the Board in February 2013. The Director proposes to reverse the appointments so that the philanthropic Trustee is the Prime Ministerial appointment and the scientific Trustee the co-opted appointment and run the two recruitment campaigns simultaneously. The Director will circulate to the Board the new role specification for the business and commerce appointment.

Property Advisory Group: The establishment of a small Property Advisory Group is being considered. The Group's remit will be to consider a number of challenges regarding the Museum's property strategy (such as the Masterplan, the grounds strategy and Carbon Reduction Masterplan etc).

1393 DIRECTOR'S REPORT (TP 12/02)

The Director highlighted a number of items from the report:

Publication by RBKC of the Supplementary Planning Document: The Museum has been in discussion with officials from the Royal Borough of Kensington and Chelsea (RBKC) and local residents on the future use of the Museum's grounds. This arose from RBKC's long-term review of its planning issues and the publication of Local Development Frameworks. During these consultations local residents voiced a range of opinions on the use of the grounds and, in order to strike an appropriate balance between their needs and those of the Museum, a Supplementary Planning Document (SPD) had been produced by RBKC. This document set out guidelines for the Museum to adhere to in using its grounds in future. However, the inclusion of a small catering outlet in the development of Museum Lane compliant with the SPD has been met with resistance from local residents and in this context the Kensington Society has offered financial assistance to landscape the area if the catering outlets are excluded from our plans. Trustees were asked their opinion on whether the Museum should accept this offer.

Ms Ament explained that every care had been taken to ensure that the kiosk design was based on similar outlets in the Royal Parks and was sympathetic to the Exhibition Road development. The business case for this catering offer is also a compelling factor for inclusion in that it would attract a guaranteed annual income of approximately £80k and would take advantage of visitors over the Olympic summer. Trustees were assured that the servicing of the area will be strictly controlled to ensure that it is kept tidy and protocols will be written into the management plan.

Mr Henderson recommended that the Museum take a long-term view of the development by ensuring that the catering outlet can be easily removed from the Museum Lane development (without ruining the landscape) should the offer prove to be unsustainable. As the grounds are private property, the Museum may also wish to consider the future measure of gating the area (whilst satisfying safety regulations), which would provide for better policing. Both these points were taken on board by Ms Ament and it was agreed that Trustees will review the Museum Lane development in July 2013.

After much discussion the Board of Trustees agreed to reject the Kensington Society's very kind offer.

Government Relations: There is increasing speculation that a new spending review will take place this autumn in order to reset public spending in the final two years before the next General Election in May 2015: Treasury has not publicly said that this is the case. It was acknowledged that responding to any future demands to continue to manage the Museum's expenditure downwards may mean absorbing further cuts. However, the Director has been assured by government officials that there are no current plans to inflict further cuts on museums, but we should remain alert that this could change should the government wish to divert funds to election-friendly schemes in the run up to the General Election. Furthermore, the Director has stressed to DCMS officials that any further cuts would, given current levels of demand, affect our staffing levels and compromise our ability to maintain a safe and secure venue for visitors and warned that under such circumstances limiting attendance by introducing some sort of charging structure for admissions might become a necessity.

Expenditure Review Phase 2: The Museum recognises the need for a second phase review of expenditure. The organisational restructures and review of the administrative function across the Museum will be beneficial in reducing our outgoing costs. The Director confirmed that he is comfortable that every effort is being made to manage our costs down and income up to close the projected gap between income and expenditure in 2013/14 and 2014/15.

Ten Year Capital Expenditure Project Priorities: A list of capital projects and funding opportunities will be submitted to the Board of Trustees in May 2012.

Attendance Figures: The Museum continues to enjoy exceptional attendance figures in the calendar year 2011 with attendance at both South Kensington and Tring at an all time record. This could be due to increased interest in the natural world arising from recent natural disasters and exposure in the media. However, these levels cannot be expected to be maintained in Olympic year as the experience of other cities hosting Olympic Games has been a decline in cultural tourism.

Update on Rhino-Horn Thefts: An individual has been apprehended and referred to the Crown Court. The vigilance and action of a member of staff at Tring was applauded and Trustees approved the Director's proposal to reward that member of staff in due course.

1395 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (TP 12/04)

Professor Gilligan, Professor Halliday and Professor Sir Roy Anderson declared changes to the Register of Interests. These were noted by the Secretary to the Board.

1396 SCIENCE GROUP

(i) Third Quarter Update 2011/12 (TP 12/05)

Acquisition: A rare Martian meteorite has been purchased by the Museum, which is now on temporary display in the Museum's Vault Gallery. The meteorite is the largest piece from a shower of stones that fell to Earth in Morocco last July, near the village of Tissint (Morocco). The Tissint meteorite weighs 1.1kg and is now the largest Martian meteorite in the Museum's collections. The acquisition was made possible through the generous support (half the purchase price) of a private donor who wishes to remain anonymous. The acquisition attracted great press coverage.

(ii) Science Group Review (TP 12/06):

Professor Owens outlined his proposals to reorganise the NHM Science Group. The review built on the foundation of work laid down by the former Director of Science, Professor Richard Lane, and the Science Organisation Project conducted by Teresa Wild, Director of Programmes. The review was also in response to the Director's view that the current structure stifled scientific progress and his wish to enhance the inclusion of science into our public programmes.

Professor Owens' proposal is based on a consultation exercise conducted between January and March 2011 and a survey of structures used in other science-led institutions. It also recognised a key objective of placing Science in the best position to deliver the Museum's Strategic Plan and to contribute to future cost-savings that may be required for the Museum to achieve a balanced budget.

After looking at a number of structures the review concluded that a hybrid approach offers the best overall balance for the NHM Science Group. This matrix model is designed to incorporate the most advantageous components of the other models and would combine Earth and Life Science "super-departments" with cross-cutting science programmes and a core facilities and administration group. In addition, it ensures the most efficient distribution of resources (30% science facilities; 50% departments; 20% science programmes). This approach would also satisfy more specific aims, such as:

- The ability to tackle cross-disciplinary science challenges by facilitating cross-disciplinary activity, whilst maintaining disciplinary expertise links between collections and research;
- Better alignment with policy and funder priorities. It is envisaged that the new structure will take Museum science forward and attract non-traditional funding;
- Coordinated interactions between the Science Group and other internal and external groups. This model would also facilitate a more joined-up Museum, embodying the "one Museum" ethos, and have a positive impact on outreach work by simplifying our interaction and coordination with external bodies.
- Provide a flexible structure and leadership;
- Achieve salary savings of approximately £500k over an initial four year period and ongoing savings of approximately £200k per annum. These savings are made possible by the reduction of senior management salary costs, as fewer senior managers are required to lead managerial units.

Professor Owens acknowledged that the reorganisation was not without risk and taking care in implementing change was essential. Dr Drewry felt too that it is crucial for the system to be transparent and easily understood by staff, particularly in terms of understanding their position in the new order and where and how resources are obtained. A very clear career structure for staff needs to be built into the system's infrastructure.

It was acknowledged that in moving to this new structure it was vital to have visionary scientists and inspirational leaders to build and take forward the cross-cutting programmes and it was suggested that better engagement of senior scientists (such as Individual Merit Promotees) could help achieve this goal. Mr Alexander was concerned that the dilution of the Keeper title may pose a problem for attracting younger scientists to the Museum, but Professor Owens reassured him that younger scientists are attracted by the Museum's distinctive expertise, particularly in area of taxonomy and systematics.

The Director confirmed that he is very positive about the proposals and went one step further by proposing that Professor Owens considers, as part of the consultation, what senior appointments will need to be made in the forthcoming 6-12 months to help drive the success of that structure.

Trustees gave their overwhelming support to the proposals and felt that the new structure would enable the Museum to align itself with modern science disciplines and create new synergies. In concluding, every assurance should be made to ensure that Professor Owens has the personal support needed to enable the reorganisation to be taken forward.

1397 CORPORATE SERVICES GROUP

(i) Financial Review for the Period April-December 2011 (TP 12/07)

Mr Greenwood focussed on three points from his report:

- The forecast year end outturn for the General Fund of £5.6m is in accordance with the figure used for setting the budget for financial year (FY) 2012/13, as presented and agreed by the Board of Trustees in November 2011.
- It is recognised that some capital expenditure has been delayed from FY 2011/12 to FY 2012/13 and the majority of this budget will be carried forward as designated funds
- A grant payment of £1.262m will be transferred to the NHM Development Trust.

(ii) Salary Budget 2012-13: (TP 12/08)

Mr Greenwood's paper was in response to the Trustees request for clarity on how the Museum manages its salary budget. Mr Greenwood explained that there was a significant underspend caused by turnover, recruitment delay and vacancies throughout the year. However, the budget for FY 2012/13 will be based on a full complement to allow for the reorganisation of Science.

Sir David Omand said that capital expenditure had been discussed at the Audit and Risk Committee and the slippages appear to be due to giving greater scrutiny to projects rather than the failure of programme management. A warning was given that this should be treated as a one-off slippage occurrence and would not be tolerated again.

(iii) Third Quarter Health and Safety Report 2011-12: (TP 12/09):

Trustees noted the report.

1398 PUBLIC ENGAGEMENT GROUP

(i) Third Quarter Report 2011/12 (TP 12/10)

Trustees noted the report.

(ii) Special Exhibitions Evaluation: (TP 12/11)

The Public Engagement Group (PEG) is in the second year of the five year programme with exhibitions developed and booked to 2015. It was noted that the mix of exhibitions is sometimes experimental to both test and pilot new ways of operating, but the *raison d'être* for exhibitions is to present the latest thinking in science as well as showcasing our own science wherever possible.

Thus Special Exhibitions enables the Museum to address through particular themes a range of contemporary issues. It has to be acknowledged that staging these exhibitions puts the Museum at risk in terms of financial exposure as they require upfront investment. To reduce this exposure, the Museum constantly endeavours to build partnerships, host jointly owned exhibitions or ones that come with sponsorship. The Special Exhibitions programme continually evolves and every exhibition acts as an exercise for self-critique from which PEG learn how to refine the offer and test new elements to achieve a more successful and engaging programme. The post-exhibition evaluations examine the lessons learned and the results get incorporated into the forward programme. The business case for "Sexual Nature" shows the degree of self-evaluation that is undertaken.

The Director commended this report in its detail.

1399 AUDIT & RISK COMMITTEE REPORT

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

Accounts: Accounts will be included in the consolidated financial statement for FY2011/12 for DCMS for first time.

Metal Thefts: The Audit & Risk Committee commended the Museum's Executive for taking prompt action with regard to potential metal thefts. Sir David Omand said that the theft of metal remains a big risk and urged those Trustees with governance responsibility for historic buildings with lead roofs or down pipes to be aware and take all necessary precautions.

Internships: The Museum was recently named in the press as a publicly funded body employing unpaid interns. As background, the view voiced by the Deputy Prime Minister and the Liberal Democrats was that unpaid internships disadvantaged people from poor socio-economic backgrounds. After discussion the Audit & Risk Committee concluded that the Museum's position is very different from commercial companies which often drops out of the Government's unpaid work experience scheme.

The Museum's 21 Interns are usually employed on short-term projects and the placements are subject to open competition. The Director had explained to the Treasury and DCMS officials that the short-term work helped to boost the careers of young people in a period of unemployment by providing them with work experience. The Museum should be mindful there is a slight risk of public pressure in the future.

Planning and Design Consultancy (PDC) Audit: Following an Internal Audit report, a strategic review of PDC is now in preparation.

Commercial Businesses: Receipts indicated a reduction in income, but the downturn in the economy is not really affecting revenue as much as it might due to good management and some imagination. The Museum will need to take a position on multi-platform trading if it is to keep ahead its competitors, but it was acknowledged that it could prove expensive for an organisation of the Museum's size to be entirely web-enabled.

Infrastructure - North Tower Roof: The Audit & Risk Committee met with Teresa Wild (Director of Museum Programme Group) to look at the potential failure of some parts of the infrastructure. One such risk is the refurbishment of the North Tower roof, which is being investigated. The Audit & Risk Committee was reassured, however, that the processes are in place to review the security infrastructure, mechanical engineering, lifts, etc to identify potential catastrophes before they occur. A plea was made to the Museum's Executive that when investing in the infrastructure more consideration needs to be given to future resilience rather than replacing like for like, which might not always be the cheapest option.

1400 PERFORMANCE

- (i) Performance Outturn to end of Q3 2011/12 against DCMS Indicators (TP 12/12)
DCMS is currently consulting on what indicators will be used in the future and has indicated that in future it will be interested in two general groups – (1) Museum attendance and (2) philanthropic giving. A risk for the Museum to consider is what happens after the Olympics if DCMS ceases to exist and its constituent parts are broken up and subsumed into other government departments.

Sir David Omand warned that the smaller the number of indicators, the more political attention will be given so very accurate figures will be needed in the future. The Director confirmed that regardless of DCMS' requirements, the Museum will continue to collect indicator data such as social inclusion breakdown; socio-economic data; ethnicity; disability etc. The Director's view is that it is fundamental for the Museum to decide on the right measures in order to measure performance of our organisation. This should not be from a government/political perspective, but from the perspective as custodians of the Museum for the long-term so social inclusion as a measure is very important.

- (ii) Measuring Performance against the Strategic Plan (TP 12/13)
Measuring performance against the Strategic Plan is clearly very important. The reorganisation of Science will modify how we think about reporting Science performance, but this will be an ongoing process throughout the current corporate planning period as the new structure comes into being. The Director confirmed that the restructure of the Public Engagement Group will mirror Professor Owen's reorganisation and will enable a much more effective collaboration between Science and Public Engagement where Science can add value to the public programme. The Chair asked that Ms Ament to present her plans to the Board of Trustees at its meeting in May.

1401 NATURAL HISTORY MUSEUM DEVELOPMENT TRUST - UPDATE (TP 12/03)

Mrs Casstles presented a paper to the Board explaining that a charitable company limited by guarantee called The Natural History Development Trust ("NHMDT") had been formed on 15 February 2012 under company number 7951088 and outlining the charitable objects and governance structure of the Development Trust. The paper also included the background to the business the Trustees were being asked to consider today and the authority and instructions previously issued by them to further the establishment of the NHMDT.

Mr Alexander declared his interest in the discussion, further to his position as Trustee of The Natural History Development Trust ("NHMDT").

Copies of the Memorandum and Articles of Association and Certificate of Incorporation of NHMDT were included with the paper and were noted. The Board noted in particular that, as a subscriber to the Memorandum of Association of NHMDT and in accordance with its Articles of Association (the "Articles"), the Museum was a Member of NHMDT and had certain other rights under the Articles of Association, including a right to appoint a minority of its Trustees.

It was also noted that the National Audit Office had provided an indication that, based on its Articles of Association, NHMDT was capable of operating independently of the Natural History Museum (NHM).

Paper TP12/03 proposed that the Trustees should consider and, if thought fit, approve the transfer of £1.262m in unrestricted funds to the NHMDT with effect from 31 March 2012 (the "Transfer"). This represented the value of historic reserves which the NHM had been granted permission to use by the Treasury, but which it would not require before 2011/12 year-end.

Referring to legal advice the NHM had received, Mrs Casstles explained that the powers of the NHM, acting through its Trustees, to make the Transfer and the minimum restrictions that would need to be imposed on historic reserves, it was proposed to be transferred by the NHM to NHMDT, as follows

- The NHM is incorporated and governed by the British Museum Act 1963 (as amended) (the "Act"). As a statutory corporation and a charity, the NHM can only carry out activities that are within its charitable objects and where it has a power under the Act to carry out the proposed action. The Trustees must therefore be satisfied that the Transfer is within the objects and powers of the NHM. They must also be satisfied that it is in the best interests of the NHM for it to proceed.
- The Act does not contain an express written statement of the objects of the NHM. However, it provides in Clause 8 that the NHM "shall have the general management and control of the Natural History Museum". The NHM also has express duties under Section 3 of the Act to keep the Museum's Collection within the buildings specified by the Act and to make the Collection available for inspection by members of the public at those buildings. There is no express statement of the functions of the NHM set out in the Act, other than the provisions described above.
- Clause 2 of the Act contains a broad general power for the NHM "to enter into contracts and other agreements, to acquire and hold land and other property and to do all other things that appear to them necessary or expedient for the purposes of their functions".
- The objects of the NHMDT are aligned with the mission of the NHMDT but have to be wider than the objects of the NHM. The objects of NHMDT would therefore allow the NHMDT to promote and support the discovery of the natural world in ways that did **not** involve the NHM. Accordingly, the terms of the Transfer must, at the least, require NHMDT to hold the assets transferred for purposes that are within the objects of the NHM. For these purposes, in the absence of any primary or secondary legislation or internal statute to alter the view, the objects of the NHM are assumed to be the functions of the NHM under the Act (and explained in paragraph 6.2 above).

The purpose of the Transfer was to incur expenditure on the part of the NHM, in order to avoid the risk of DCMS deeming the NHM to have underspent its grant-in aid, resulting in a corresponding reduction in cash grant-in-aid in 2012/13. The ultimate decision would rest with the National Audit Office, following the end of year audit of the NHM accounts. However, it was noted that attaching the condition set out above to the Transfer for the Trustees to be acting within their powers could lead the NAO to conclude that the Transfer was not 'expenditure' within accounting definitions and effectively leave the value of the Transfer in the NHM accounts in FY12/13 leading to the risk of a deemed underspend in grant-in aid.

The Board also discussed other risks, including the ability of the NHMDT to make grants to third parties other than the NHM, acting within its objects. It was agreed that this would be an inevitable and acceptable aspect of the NHMDT's activities. The Board discussed with the Museum's Executive its strategy for ensuring the best outcome possible for the NHM.

Approvals

Following due and careful consideration of Paper 12/03 and the Articles it was resolved:

1. To note the Memorandum and Articles of the NHMDT and approve the NHM's ongoing Membership of NHMDT and participation in its governance arrangements in accordance with the Articles;
2. To approve the Transfer and to delegate authority to the Director to negotiate and conclude and execute the terms of the transfer agreement making the Transfer and to execute that Agreement on behalf of the NHM on condition that such transfer agreement should require NHMDT to hold and apply the assets transferred for purposes within the Charitable Objectives of the NHM (as that term is defined in the Articles);
3. Delegate authority to the Director to negotiate and conclude the terms of a Trade Mark licence agreement and service level agreement between the NHM and the NHMDT and to execute those Agreements on behalf of the NHM;
4. To include as an agenda item for NHM Trustees on 22 May the proposal of further NHM-appointed Trustees of NHMDT, given that the ratio by then of Independent Trustees would allow this in accordance with Article 5.3 of the Articles;
5. Appoint the Director to act as the NHM's authorised representative to carry out NHM's role as a Member for and on its behalf (having the power to vote at those meetings) and to attend NHMDT Trustee meetings as an observer in accordance with the Articles (but not having any power to vote).

The Chair requested the Head of Development (Ms Alison Purvis) to give a presentation on the Museum's fundraising activities to Trustees at the July meeting.

1402 AGENDA ITEMS FOR FUTURE BOARD MEETINGS (TP 12/14)

The rolling agenda for future meetings was noted.

1403 EVENTS DIARY (TP 12/15)

The Events Diary was noted.

1404 ANY OTHER BUSINESS

1405 DATE OF NEXT MEETING

Tuesday 22 May 2012 at 0900 at the Natural History Museum.