



**THE NATURAL HISTORY MUSEUM  
TRUSTEES' AUDIT & RISK COMMITTEE**

**60<sup>th</sup> Meeting on Wednesday 8<sup>th</sup> May 2013**

**Present**

Sir David Omand in the Chair  
Dr Derek Langslow  
Professor Sir Roy Anderson  
Mark Richardson (co-opted member)

**In Attendance**

Dr Michael Dixon (Director)  
Neil Greenwood (Director of Finance & Corporate Services)  
Jan Day (Head of Risk & Assurance/Committee Secretary)  
Keith Lloyd (Director, National Audit Office)  
Nick Buxton (Partner, BDO)

Stuart Craik (Head of Security) was in attendance for items 10, 11 & 14.

***ACTION***

David Thorpe - The Chair expressed his sadness at the recent death of David Thorpe, the former Head of Risk & Assurance. Member's thoughts were with David's family. Members also wished to pay tribute to David Thorpe's dedication to the Museum and his work in establishing a professional NHM internal audit service.

**1 APOLOGIES FOR ABSENCE**

- 1.1 Oliver Stocken (Chair of Trustees) and Lewis Knights (Audit Manager, National Audit Office) sent their apologies.

## **ACTION**

### **2 DECLARATIONS OF INTEREST**

- 2.1 Mark Richardson (co-opted member) declared an on-going interest in any discussions relating to donations to the Natural History Museum Development Trust. This was due to his role as Chair of the Development Trust.

### **3 MINUTES OF THE MEETING HELD ON THURSDAY 14<sup>th</sup> FEBRUARY 2013 TAC 12/2013**

- 3.1 The minutes were accepted as a true record of the meeting.

### **4. MATTERS ARISING FROM THE MINUTES**

- MD/JD 4.1 Association of Leading Visitor Attractions (ALVA) – para 6.7 – The Association of Leading Visitor Attractions (ALVA) data on attendance for the year will be circulated to members for information.

### **5 DIRECTOR'S REPORT (PAPER TAC 13/2013)**

- 5.1 The Director presented his report.

- 5.2 The Chancellor's Budget 2013/14 –The Chancellors budget in March announced further cuts to Government funding in 2013/14 and 2014/15. In addition, budget projections had given the widespread belief that there were likely to be substantial cuts in 2015/16 and going forward to 2017/18. The Museum must, therefore, manage its expenditure tightly and actively pursue opportunities to generate income. The prevalent view was that in 2015/16 all unprotected Government departments will receive resource spending cuts in the order of 10%.

- 5.3 The National Museum Directors' Council (NMDC) which represents national museums and major regional museums had made the case to Government that the additional funding for introducing free admission in 2001 had been eroded. Museums were consequently sponsoring free admission by raising donations and commercial income. Further cuts in grant in aid may make free admission unsustainable. This may result in some national museums with multiple sites closing locations. Introducing charging for overseas visitors was difficult as the UK did not have a national identity card system and many UK visitors do not have passports to demonstrate their entitlement to free admission.

- MD 5.4 Board Assessment Process - The consulting firm procured to undertake the recent board assessment process had delivered their report with recommendations. The report will be presented to the Board of Trustees' meeting on 21<sup>st</sup> May 2013 with a draft management response. One recommendation was the Board should review the current arrangements giving the Audit and Risk Committee responsibility for both financial governance and audit and risk. Combined with the degree of delegation of financial governance by the Board this may no longer be appropriate for an organisation of the Museum's size and high public profile.

- MD 5.5 In the past the Museum had a separate Finance Committee, however, it was considered there was insufficient business to warrant this. It was observed that Audit & Risk Committee members could not discharge their duties properly without scrutinising the accounts in detail. The Director intended to recommend to the Main Board that the profile of financial governance was raised at Board meetings. Relevant performance indicators would be introduced and it would be the first item on the agenda. In all other respects the assessment of the Board pointed to the NHM governance being very good, rated better than the average for a cohort of similar institutions reviewed by the consultancy.

## **ACTION**

- 5.6 Later in the meeting at item 6 “Financial Review for the period April 2012 – March 2013” the NAO Director expressed the view that the level of challenge by members was high and not replicated across most Audit Committees. The NAO Director asked the question whether NHM needed a Finance Committee.
- 5.7 Informal Science Learning - The Wellcome Trust interest in informal science learning had prompted new thinking to be incorporated into a new NHM learning strategy which itself will define new requirements for the upgrade of on-site facilities for learning. The NHM may become a centre of excellence in a network of other organisations.
- 5.8 It was noted the new Director of the Wellcome Trust, Professor Jeremy Farrar, had an interest in vector control to limit or eradicate the transmission of disease pathogens e.g. mosquitos. This was an area of opportunity for the Museum as it had a great deal of expertise in this area. The Director of Science would be addressing this as he rolled out the new NHM Science Strategy.
- 5.9 Attendance Record in FY2012/13 - The moving annual total of visits reached 5.13m by the fiscal year-end at South Kensington and 157k at Tring. This was an all time record which received some press coverage. Crowding was difficult to manage, however, it may be an opportunity to raise commercial revenue by, for example, selling day membership with accelerated entry into the Museum.
- 5.10 Restructuring Projects – The restructuring of Public Engagement Group was nearing completion and resulted in approximately 10 staff being made redundant. It was noted that the terms of the revised Civil Service Compensation Scheme 2010 were less favourable to staff. The cost of the redundancies will be provided for in cash terms in 2012/13.
- 5.11 Science Group recruitment into the new organisational structure was well underway with interviews for Head of Life Sciences and Head of Earth Sciences, plus Research Team leader positions now completed. The Head of Life Sciences and Head of Earth Sciences appointments were to be announced next week. A primary objective was to appoint quality researchers who had a demonstrable science income earning track record. The central corporate support services were being reviewed and changes in Human Resources and the introduction of a new Finance System will result in some cost savings.
- 5.12 International Work - The former Planning Design Consultancy group (PDC) had effectively been disbanded in recognition of the fact that successful projects were most likely to be large, negotiated by senior management with UK government support and managed and delivered using resources from across the whole Museum. This approach was being used to pursue an opportunity in the Gulf with the support of other government agencies. The senior management trip to Brazil which had been cancelled due to the Director’s ill health was being reconsidered for the third quarter of 2013/14.
- 5.13 Museum Events - There had been a number of important Museum events arranged by Development which had attracted significant attendance and positive media coverage. In particular there was a wonderful event with the US Embassy focusing on exploration of the planet Mars. Caroline Smith (Collections Manager Mineral and Planetary Sciences Division) and a NASA Scientist made a very engaging presentation to an audience of approximately 60.
- 5.14 Royal Patronage - The Museum announced on Friday 19<sup>th</sup> April the patronage of the NHM by Her Royal Highness the Duchess of Cambridge. The Director had joined the Charities Forum which consisted of the Chief Executives of the charities patronised by the Duke and Duchess of Cambridge and Prince Harry. These charities were keen to explore co-operative opportunities.

## **ACTION**

- MD/JD
- 5.15 Major Corporate Risks - The Director presented the top ten list of 2013/14 risks identified by the Audit & Risk Committee, the Senior Management Team and Executive Board. These had been scored by the Executive Board and designated to a group responsible for their management. The majority also had identified 'owners' who will complete the risk management templates and update them quarterly. These will be presented at the next meeting of the Audit & Risk Committee to reflect the position at the end of the first quarter.
- 5.16 The top rated risks for 2012/13 had been rescored by the Executive Board. The external environment and other factors beyond the Museum's control were such that some of the risk scores had not moved significantly in the right direction. Two risks had been moved to the list of long-term inherently high risks due to their continuing nature.
- MD/JD
- The Committee approved the adoption of the major corporate risks for 2013/14. It was agreed that the Committee would receive a summary of the progress in mitigating the risks and how this had affected the inherent risk score.
- 6 DIRECTOR OF FINANCE & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD MARCH 2012 - APRIL 2013 - PROVISIONAL YEAR END OUTTURN (PAPER TAC 14/2013)**
- 6.1 The Director of Finance and Corporate Services presented his paper.
- 6.2 General Fund -The provisional 2012/13 year end outturn for the General Fund was £5.6m which was £1.1m above the December forecast and £1.1m above the General Fund of £4.5m which was used to underpin the budget for 2013/14 and beyond. The additional surplus will mitigate the impact of the grant in aid reduction of £890k for 2013/14 which was imposed after the Trustees approved the Museum budget for 2013/14, and the impact of expenditure pressures in particular energy costs.
- 6.3 Self Generated \ Trading Income – There were strong performances for Science grant and consultancy income though this was lower than the outturn for 2011/12, Conference and Events had improved dramatically from 2010/11 but not reached the net surplus of £2m once generated. On the less positive side Touring Exhibitions, Planning and Design Consultancy which made a loss of £150k and Retail were below budget and the 2011/12 outturn.
- 6.4 Planning Design Consultancy group (PDC) - As explained earlier PDC had been disbanded and the staff made redundant. Redundancy costs were reflected in the year end outturn but not in the PDC loss of £150k. The Museum may recruit a senior manager to run all the Museum's international businesses e.g. Touring Exhibitions and Consultancy. The Museum also had support from the UK Government and the UK Minister for Culture, Communications and Creative Industries, Ed Vaizey. Large international consultancy contracts won by the Museum would be resourced using the expertise of internal staff. If necessary these internal positions will be backfilled by employing staff on a fixed term contracts.
- 6.5 Retail - Retail generated a significant contribution, however, it was of concern that even though visitor numbers were up income was down. The Agency Workers Regulations had pushed up retail staff costs. Agency Workers were now entitled to the same benefits as permanent staff under the Working Time Regulations e.g. holiday pay. Bench marking data on NHM retail spend per head and transaction as against other museums, galleries and leisure attractions were provided by the Association of Leading Visitor Attractions (ALVA). NHM did quite well against other organisations, although the NHM conversion rate had fallen. This was believed to be due to a change in visitor mix and the growth in young overseas visitors who spent less. In addition, when the Museum was crowded it was difficult to service all the demand in the shops. This could, however, be improved by more till points and retail staff.

## ***ACTION***

- 6.6 Income Risk Factor – The income budget for the year was set after a committee chaired by the Director reviewed and endorsed business plans from all the income generating units. Challenging targets were set for business units which potentially may not always be met. Rather than second guessing individual business plans the Director of Finance & Corporate Services set an appropriate income risk factor - £400k in 2012/13. Each quarter individual business forecasts were reassessed and generally a £100k of the risk factor was released unless there was a need for a more significant adjustment.
- 6.7 Expenditure - Total recurrent expenditure for the year was below the original budget. The outturn reflected underspends within: (a) Science Group while plans for and implementation of the Science Initiatives were developed, and progressed; and (b) in a number of areas within Public Engagement. There was a provision of £700k to cover restructuring and redundancy costs which will be extinguished over the next few weeks.
- Capital Expenditure – Capital and project expenditure was considerably below budget and c£6m will be carried forward as reserves to 2013/14 and beyond.
- 6.8 Transfer to the Natural History Museum Development Trust (NHMDT) - For 2012/13 the Museum had been granted access to use £2.1m of historic reserves. The Museum had been working to a forecasted outturn surplus position submitted to the Department for Culture, Media and Sport (DCMS) in November/December 2012. In order to deliver the DCMS requirement, £2.5m will be transferred as an unrestricted capital grant to the independent Natural History Museum Development Trust. This was in accordance with Trustee approval from 5<sup>th</sup> March 2013.
- 6.9 Net Income and Expenditure – It was observed that the net income and expenditure outturn had moved from a deficit of c£1.1m in the third quarter to a surplus of £2.0m. Whilst the NHM was to be commended concern was expressed that some of the income and expenditure variations were not foreseen by Finance. The Director of Finance & Corporate Services explained that the surplus on Scientific grants was very hard to forecast and this exercise took place in the fourth quarter. Some of the underspend by the Science Group and Public Engagement was, however, unexpected. The Science Initiatives were delayed as the interviews for the Research Team leader positions were later than scheduled. Members expressed the view that the Science underspend should ideally have been apparent to the Science Directorate in the third quarter and notified to the Director of Finance & Corporate Services.
- MD/NG 6.10 The Chair and members agreed that the Director and Director of Finance & Corporate Services should encourage a corporate sense of responsibility and the accurate forecasting of outturn expenditure in the third quarter. Expenditure savings would then be available for other uses. The Chair and members warned that as it was no longer permissible as a matter of course to carry all the surplus and reserves over for use in future year's money needed to be spent in the relevant financial year. It was noted that Research grant extensions to the time to complete research were no longer automatic.
- 6.11 It was observed, however, that a balance needed to be struck between encouraging departments to spend and ensuring the Museum received value for money. The Museum had a prudent approach to financial management and avoided the risk of nasty surprises.
- NG 6.12 Summary - It was agreed that a fifth column would be added to the summary table in the Financial Review report which reflected the original budget approved at the Trustee's meeting each November. In addition, the grant in aid figure would be split to show revenue and capital.

## **ACTION**

### **7 ANNUAL ACCOUNTS UPDATE 2012/13: DRAFT GOVERNANCE STATEMENT AND DCMS GROUP FINANCIAL STATEMENTS (PAPER TAC 15 /2013)**

- 7.1 The Director of Finance and Corporate Services presented his paper.
- 7.2 Accounts Progress -The Trading Company auditors arrived on 7<sup>th</sup> May 2013 and were presented with a full set of accounts on arrival - a draft set was provided last week. The only substantive items outstanding were a redundancy provision, the overhead recharge from the Museum to the Trading Company which was completed during the audit together with gift aid and tax adjustments.
- 7.3 For the Museum, progress was satisfactory, with the trial balance for production of the statements on schedule for completion by 10<sup>th</sup> May 2013. A new Financial Accountant with charities experience had joined the Museum in January. She was leading the Financial Year End process and producing the Statutory Accounts. The member of staff who produced the accounts last year had moved to a new position in the Finance Department and was also available to provide assistance. The Director of Finance & Corporate Services was confident the timetable would be met.
- 7.4 Clear Line of Sight (CLOS) \ Whole Government Accounts -The Chair of the Department for Culture, Media and Sport (DCMS) Audit Committee had written to the Audit Committees Chairs for DCMS sponsored bodies to secure support in ensuring that their Arm's Length Body (ALB) was committed to and supported the production of Group financial statements. It was noted that in 2011/12 there had been confusion in DCMS about what should and should not be consolidated. However, the Museum submitted all data within the required deadlines with the exception of the first unaudited return which was due on 1<sup>st</sup> June 2012 and submitted on 5<sup>th</sup> July 2012. The requirements and the deadline were, however, notified to the Museum on 20<sup>th</sup> May 2012. The final audited return was submitted in early September before the mid September deadline. It was noted that this year DCMS were no longer aiming for laying pre-recess accounts and had not yet issued the detailed requirements for the returns. Arrangements had yet to be confirmed with the NAO/BDO as to when the returns would be audited.
- NG/DO 7.5 It was agreed that the Chair would respond to the letter from the Chair of the DCMS Audit Committee.
- 7.6 Lessons had been learned from 2011/12 and one was not to issue the consolidation packs until they had gone through due diligence. It was also noted that the current DCMS timetable had slipped. CLOS was seen as a mechanical Treasury requirement by some within DCMS, however, there were benefits. In the current financial climate the CLOS process should be a by-product of the normal DCMS financial management system. DCMS needed to develop a more mature financial management system that allowed DCMS to understand the cost drivers across the entire DCMS Group. This would enable DCMS to make cost reduction decisions that were informed and proportionate as opposed to using a 'salami slicing' approach to budget cuts.
- 7.7 Draft Governance Statement - The draft Governance Statement had a similar layout to 2011/12. In contrast with the Statement on Internal Control no template guidance had been issued by HM Treasury. Members reviewed the statement taking into account the NAO Fact Sheet on Governance Statements and RSM Tenon Governance Statement report and made recommendations. The NAO Director said he would send his observations to the Museum by email.

KL

## **ACTION**

### **8 HEAD OF RISK & ASSURANCE: ANNUAL REPORT TO THE ACCOUNTING OFFICER AND AUDIT & RISK COMMITTEE 2012/13 (PAPER TAC 16/2013)**

- 8.1 The Head of Risk & Assurance presented her Annual Assurance and her report on Major Estates Infrastructure Failure.
- 8.2 Annual Assurance - 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.
- 8.3 Information Risk - The Head of Risk & Assurance was specifically required by HM Government to provide an opinion on the soundness of the controls in place to ensure the effective management of information risk. Two reviews of this area were completed during the year and the Head of Risk & Assurance was able to submit a positive report to the Accounting Officer. The majority of the actions recommended by the Cabinet Office in the HMG Security Policy Framework (SPF) had been fully implemented where relevant. Two reviews were completed by a specialist IT network security consultancy in January and February 2013 in order to assess the resilience of the Museum's firewall defence and internal network security. These found that the Museum's network was generally well managed and their rating of NHM security was "Satisfactory". It was agreed the report would be presented to the Audit & Risk Committee in June 2013. The Chair observed that hacktivism, the use of computers to promote political ends, was an increasing threat.
- 8.4 Audit Report Classification - Of the 20 internal audit reports issued during the year, only one the Collections Security follow up was classified as category 2/3 in September 2012. Further work on collections security had been taking place and there was a presentation by the Head of Security later in the meeting – please see item 10.
- 8.5 Major Estates Infrastructure Failure - The Chair observed that the 2007 Condition Survey of the NHM Estate had identified an estimated £40m maintenance back log to bring the Estate up to an acceptable standard. The Chair was concerned that the Museum's funding of infrastructure maintenance had been insufficient. It was noted that the Estates Department was due to conduct the Condition Survey for 2013. The survey will assist in assessing the general condition of all building fabric, structure and services including the future liability for repair or replacement. The survey will start towards the end of May and continue to August. It was noted that major capital interventions, for example, the Darwin Centre which required old redundant buildings to be knocked down resulted in the most significant reduction in backlog maintenance. Backlog maintenance was systemic across the Museum and Galleries sector and was becoming a political issue. The Chair requested that the Committee returned to the subject at a future meeting.
- 8.6 Department for Culture, Media and Sport (DCMS) Internal Audit Shared Services - The Director had recently received a letter from Jonathan Stephens, Permanent Secretary DCMS. In it he restated the DCMS approach for shared Internal Audit Services (IASs) was to have three levels. Accounting Officers were asked to confirm: (a) agreement to collaborating at Level 1; and (b) whether they were interested in identifying opportunities for developing shared services further. Level 1 required the sharing of audit plans and annual audit opinions.
- 8.7 It was noted that Level 1 had been universally embraced by DCMS Arm's Length Bodies (ALBs). As DCMS had a large number of ALBs it was not practical for the DCMS Head of Internal Audit to exercise detailed oversight. DCMS involvement was likely to be light touch. There may, however, be some consolidation to provide economies of scale where audit services had been outsourced to commercial firms. It was observed the HM Treasury approach was one size fits all and not enough recognition had been given to the charitable status of many of the ALBs and the trustee's individual and collective responsibilities.

JD

MD/NG/JD

MD

## **ACTION**

- 8.8 Internal Audit Shared Services - Performance Measures - Chris Wobschall (HM Treasury Deputy Director, Assurance Policy) had written to Heads of Internal Audit about the introduction of core performance measures and benchmarks. Level 1 Internal Audit Services (IASs) were strongly encouraged to apply the measures. Committee members were of the view that the measures would not add significantly to the accountability arrangements already in place, however, 2 or 3 may be helpful.
- 8.9 Staffing – The Head of Risk & Assurance had continued to operate throughout 2012/2013 with agency auditors. It was observed that this may not be cost effective and there was a loss of continuity. The Director and Head of Risk & Assurance met on a regular basis and discussed staffing and when additional resources were required to complete the Audit Plan. Historically it had been difficult to recruit and retain permanent staff and agency auditors provided a degree of flexibility. The reliance on agency staff would, however, be reviewed. The Chair asked that the Head of Risk & Assurance kept the Committee informed if she considered the staff resources at her disposal were inadequate to achieve the Audit Plan.
- MD/JD
- 8.10 Members congratulated the Head of Risk & Assurance on the completion of the Audit Plan. It was noted that the delay by some NHM staff in responding to points raised in audit reports had improved significantly over the last 3 or 4 years. This had enabled the majority of reports to be closed by the financial year end.
- 9 AUDIT & RISK COMMITTEE ANNUAL REPORT 2012/13 (PAPER TAC 17/2013)**
- 9.1 The Chair presented his report.
- 9.2 The report will be presented to the Board of Trustees on 2<sup>nd</sup> July 2013 and sent to the Department of Culture Media and Sport (DCMS). Members were asked to send any comments to the Head of Risk & Assurance.
- 10 ANNUAL SECURITY REPORT 2012/13 (PAPER TAC 18/2013)**
- 10.1 The Head of Security presented the report.
- 10.2 There was an on-going threat of a large criminal gang targeting Museums and Galleries across Europe. During 2012/13 the theft of Rhino horn and Chinese jade had continued to increase, exemplified by a sophisticated plot to steal Chinese jade from a public gallery in the British Museum. This was thwarted by the police and one person was arrested and the information shared with other Museums and Galleries holding Chinese jade. NHM security had been reviewed and several items had been taken off display. The UK Police had set up a national unit targeting those involved with thefts to reduce the threat. It was noted that there had to be a balance between security and visitor and scientific access to the collections.
- 10.3 This was the second year of the outsourced security contract and this was delivering benefits of improved customer service and enhanced capability to respond to incidents. The Museum carried out random bag searching and had reviewed legacy alarm equipment and security measures to ensure they were effective. New CCTV systems and cameras providing perimeter protection had been introduced at all NHM locations. A new Control Room at South Kensington will be operational in a few weeks and members were invited on a tour.
- SC
- 10.4 The threat from Eastern European thieves targeting NHM visitors had reduced from previous years with only one incident. The Museum was working with the local police to maintain NHM vigilance in this area. There had been a slight increase in low level internal thefts of cash and personal items which was being monitored.



## **ACTION**

10.5 The Metropolitan Police had given briefings to staff on the signs of criminal reconnaissance. In addition, training packages had been provided to Front of House managers and Security managers. The Museum had links with Counter - Terrorism Security Advisors who will provide training to Control Room Staff.

10.6 The Chair thanked the Head of Security for the informative presentation.

### **11 ANNUAL HEALTH & SAFETY REPORT 2012/2013 (PAPER TAC 19/2013)**

11.1 BSI OHSAS 18001 Occupational Health and Safety Management System Specification - The BSI OHSAS 18001 three year strategic review at South Kensington highlighted three minor nonconformities and a number of observations. The minor nonconformities required a response to the BSI before the 3<sup>rd</sup> of May, outlining the cause, the proposed corrective action with responsibilities and times scales.

11.2 Fire alarm voice alarm system - Elements of the system did not comply with current British Standards for voice alarm systems, however, the Museum was not in breach of legislation. The Health and Safety Unit was working with the Estates department to put together a replacement programme.

### **12 RISK AND ASSURANCE PLAN FOR 2013/2014 & PLAN IN CONTEXT (PAPER TAC 19/2013)**

12.1 The Head of Risk & Assurance presented her plan.

12.2 New Finance System – There will be a presentation on the corporate risk “the failure to ensure successful implementation of a new finance system will impact upon operational activity” at the June 2013 Audit & Risk Committee meeting. This will be the appropriate time to decide what the Committee required in terms of an audit assurance and the timing of the review. The NAO Director requested that he and the BDO Partner were consulted on the scope of the review. The NAO would wish to seek to place reliance on the work in particular that relating to data transfer. It was noted that one of the new Finance System work streams was updating the Financial Regulations and authorisation processes.

NG/JD

### **13 PRESENTATION BY MICHAEL DIXON (DIRECTOR) ON THE MAJOR CORPORATE RISK “FURTHER CUTS IN GRANT IN AID FOR 2013/2014 AND BEYOND RESULTS IN THE NEED TO MAKE MAJOR REDUCTIONS IN EXPENDITURE ”**

13.1 The Director made his presentation.

13.2 Since the last Spending Review in 2010 the Museum had sustained two further increases to the 15% reduction in real terms of NHM grant in aid over 4 years. As a result of the Autumn Statement 2012 and the 2013 Budget, the Museum was accommodating a further 2% and 3% cash reduction.

13.3 The HM Treasury were currently working on spending plans for 2015/16 and were expected to announce these on 26<sup>th</sup> June 2013. Public statements were being made about an average 10% reduction to unprotected departments spending. A graph in the 2013 Budget paper on projected government resource spending cuts projected the spending trajectory to 2017/18. The Museum conclusion, therefore, was that further cuts were a certainty and the likelihood of this risk being realised was ‘5’ on a scale of 1-5.

## **ACTION**

- 13.4 Mitigating Impact - The majority of work to be done was on mitigating the impact of further cuts. In order to prepare for the longer term the Museum was of the view that income generation in the short term was more important than cost cutting. It was noted that Government pay restraint was likely to be in place until 2015/16.
- 13.5 Mitigating Likelihood - The Museum was undertaking work to reduce the magnitude of further cuts which were regarded as inevitable. The Museum had an active advocacy programme which the Directorate leads and regular dialogue with DCMS Ministers. The Director was endeavouring to maintain this successful strategy even though he was no longer Chair of NMDC. The Museum met with the HM Treasury spending team for culture and education on a fairly regular basis. NMDC undertake co-ordinated work although in some areas different museums wished to have different approaches. NHM corporate communication was important to the way the Museum positioned itself across government as a whole and to the general public. NHM monitored Government publications which were clues to future action e.g. Autumn and Budget statements.
- 13.6 There were a number of related ideological and political risks.
- 13.7 Legislation to Facilitate Creation of Independent Trusts - The Government had a desire to reduce the number of Arms Length Bodies (ALBs) for which it was responsible. The arguments used in the last spending review against museum's becoming independent trusts were potentially being addressed in legislation.
- 13.8 Firstly NHM staff were members of the Principal Civil Service Pension Scheme and if they were TUPEd across to an independent trust they were entitled to the same benefits and this would double superannuation costs. There was a Pensions Bill in the Queen's speech and consideration was being given to whether the Principal Civil Service Pension Scheme could be extended to bodies outside of Government. Secondly, museums enjoyed government indemnity and, therefore, do not insure their buildings or collections and to do so would again be a significant cost. There were also discussions within HM Treasury and the Cabinet Office about extending Government indemnity to bodies outside of Government holding public assets.
- 13.9 Department of Culture Media and Sport (DCMS) – DCMS was a very small, policy-orientated department and there was continuing concern about its future.
- 13.10 Free Admission – The issue of free admission to which the Museum was committed is likely to trigger political debate over the next 12 months. Members doubted, however, whether any political party would adopt a policy of reintroducing charging. It was noted that the NMDC had tried to encourage DCMS to reconsider the historical basis on which grant in aid was allocated to Museums and introduce discretionary funding.
- 13.11 Cost Reductions - The Museum had reduced staffing costs by restructuring. The Museum's ability, however, to reduce costs significantly was limited by high fixed costs e.g. core maintenance and utility costs.
- 13.12 Income Generation - There were opportunities to increase income by £4m/£5m over the next two years without significant expenditure. The commercial areas in the Museum had large associated costs e.g. Retail made approximately 20% net profit. By contrast fund raising made £4 for every £1 spent. Museum donation boxes generated approximately £250k from 5m visitors whereas the most successful national museum generated an average of 60p per visitor. The Museum planned to experiment with donation box design, messaging and location. The new approach to Planning and Design Consultancy and Scientific Consultancy may also lead to more income. The Museum will also: (a) explore the possibility of selling membership to visitors on busy days so they can fast track into the Museum; and (b) investing in small permanent exhibitions with an entry charge e.g. animatronic dinosaurs. There were also digital options such as charging for applications (apps).

## **ACTION**

- MD/NG
- 13.13 The Chair and members asked that a paper on income generation with expenditure costs be put to the Board of Trustees. The Chair observed the Museum needed to have a consistent plan. There maybe a case for charging for additional 'fun' experiences but not access to the collections.
- 14 REPORT ON CRISIS MANAGEMENT AND DIASTER RECOVERY AND BUSINESS CONTINUITY SYSTEMS" (PAPER TAC 21/2013)**
- 14.1 The Director of Finance & Corporate Services (Chair of the Crisis Management Team) presented the report.
- The report set out the current position regarding crisis management and highlighted the outcome of the real time crisis management exercise carried out in February 2013. The Head of Security worked with the external provider in advance and in orchestrating the event on the day. As part of the preparation for the real time exercise, table top training had been held at South Kensington in December 2012. Following the February exercise the external provider gave the Museum a good performance score of 7 out of 10.
- 14.2 The Director of Finance & Corporate Services and others involved in the exercise approached the day with a certain degree of apprehension. The Head of Security, however, provided valuable support and coaching and did an excellent job.
- 14.3 Detailed recommendations came out of the exercise and a Crisis Management Board will be responsible for overseeing their implementation. The external provider was giving a debriefing on their report to all the staff involved in the exercise on 14<sup>th</sup> May 2013. Overall the report from the external provider was positive about the capacity and ability of the Crisis Management Team to respond in a crisis.
- 14.4 Offsite location - The key recommendation related to whether the NHM needed an offsite location and how this could be addressed. The Museum had received a proposal from another national museum to share their Crisis Recovery Centre at a cost of approximately £30k per annum. This was a purpose fitted out centre with IT and communications facilities which had been lent to the Museum for the exercise. Other possible options maybe to have a shared arrangement with a University or use the NHM South London Storage Facility.
- 14.5 Other issues related to: (a) the Museum's ability to deal with a large volume of external enquiries / telephone calls; and (b) whether staff involved in the Crisis Management Team had received adequate training and guidance.
- 14.6 The Museum had a detailed Crisis Management & Business Continuity Manual. When the Museum was open there was a Site Manager, Duty Manager and Security Manager who in the initial stages of a crisis take control, make decisions and brief the Crisis Management Team. The Chair of the Crisis Management Team was rostered in the event of the permanent chair being on annual or sick leave. All the key members of the Crisis Management Team had deputies and incidents were managed by teams e.g. Press and HR.
- 14.7 The Chair observed that the British Museum had a well laid out Crisis Manual and the Imperial War Museum kept a war chest offsite.

## **ACTION**

- 14.8 The Museum's electronic security pass system did not provide an accurate record of who was on site as: (a) it was possible to leave the Museum via the main entrance and other exit points; and (b) staff often entered the Museum in groups without individually activating the pass reader. Designated Fire Marshalls had been appointed for each area of the Museum. In the event of a fire or other emergency, the Fire Marshalls were responsible for ensuring that their areas were evacuated, however, this process did not keep track of staff. The exercise tested the link to the NHM IT system and the NHM Personnel records database was accessible offsite but only by the HR Team. It was observed that Personnel records needed to be accessible in an emergency by authorised staff, but this had to be handled sensitively. The Chair recommended that the Museum should seek advice from the Foreign Office who were very experienced in casualty notification.
- NG/SC
- 14.9 The Chair observed that when an incident occurred that involved a large number of casualties, or was likely to result in a large number of telephone calls from concerned friends and relatives, the police in the UK normally opened a casualty bureau.
- 14.10 If mobile phone networks went down due to overwhelming demand this was outside the Museum's control. Front of House and Security Staff carried radios which operated inside and within a certain radius outside the Museum. It was noted that it was Government Policy not to disable mobile phone and social media services during emergencies e.g. the 2011 riots.
- 14.11 Members observed that despite the significant cost, the number of lessons learned signified the need for crisis management training exercises to be undertaken on a regular basis. Training was necessary to: (a) keep staff prepared and equipped to deal with a crisis; and (b) obtain different learning outcomes from a range of exercises.
- 14.12 The Chair thanked the Director of Finance & Corporate Services and Head of Security for the informative presentation. The Committee were very interested in this area of risk management and asked that they received further updates on the offsite facility and training plans.
- NG/SC

## **15 ANY OTHER BUSINESS**

- 15.1 There was no other business

## **16 DATE OF THE NEXT MEETING**

- 16.1 The next meeting will be held at 10.00 a.m. on Thursday 27<sup>th</sup> June 2013 in NE507.

### **KEY TO ACTION INITIALS**

Sir David Omand - DO

Michael Dixon - MD

Neil Greenwood - NG

Jan Day - JD

Stuart Craik - SC

Keith Lloyd - KL