

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

59th Meeting on Thursday 14th February 2013

Present

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

In Attendance

Oliver Stocken (Chair of Trustees)
Dr Michael Dixon (Director)
Neil Greenwood (Director of Finance & Corporate Services)
Jan Day (Head of Risk & Assurance/Committee Secretary)
Lewis Knights (Audit Manager, National Audit Office)
Martin Burchmore (Partner, Kingston Smith)

Paul Brereton (Director of Human Resources) was in attendance for item 14.
Teresa Wild (Director of Programmes) was in attendance for item 15.

ACTION

1 APOLOGIES FOR ABSENCE

- 1.1 Professor Sir Roy Anderson, Keith Lloyd (Director, NAO) and Nick Buxton (Partner, PKF) sent their apologies.

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 (PAPER TAC 1/2013)

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

ACTION

4. MATTERS ARISING FROM THE MINUTES

- 4.1 Director of Public Engagement - para 5.2 - The start date for the new Director of Public Engagement, Justin Morris was 15th April. Justin was currently Director of Operations & Projects at the British Museum. The NHM Director was trying to negotiate an earlier starting date with the British Museum.
- 4.2 Dawes Meadow, Tring Park - para 5.4 – The Museum had obtained Department for Culture, Media and Sport (DCMS) and HM Treasury approval for the transfer of the land from Lord Rothschild to the Museum. The year-end accounting treatment had yet to be decided.
- 4.3 Significant Issues or Delays Arising - para 9.4 – The real time Crisis Management exercise was to take place on Thursday 28th February 2013. All the members of the Board of Trustees and the Audit & Risk Committee had been invited to observe. The Chair of the Audit & Risk Committee hoped to attend in the afternoon.

5. AUDIT & RISK COMMITTEE TERMS OF REFERENCE AND ANNUAL CYCLE OF INFORMATION (PAPER TAC 2/2013)

- 5.1 The Head of Risk & Assurance presented the terms of reference which had been updated to reflect the current practice of the committee.
- 5.2 The Committee approved the Terms of Reference and Annual Cycle of Information with the exception of paragraph 19. It was agreed that paragraph 19 should reflect the fact that the Board of Trustees delegates powers to the Audit & Risk Committee. In particular, the Committee normally approved the year end accounts for the Special and Benevolent Funds for the Chairman of the Board's action.
- 5.3 The Audit & Risk Committee's Effectiveness - In line with best practice the Board of Trustees commissioned a formal external review of Board effectiveness every three years. Consultants who would provide value for money were currently being selected. The 2013 review of the Board will also include the performance of the Trustees' Audit & Risk Committee.

MD/JD

6 DIRECTOR'S REPORT (PAPER TAC 3 /2013)

- 6.1 The Director presented his paper.
- 6.2 Chancellor's Autumn Statement – Since the last meeting the Chancellors autumn statement had been published. All National Museums had their resource grant in aid reduced by a further 1% in real terms in 2013/14 and 2% in 2014/15. These reductions were less extreme than had been forecast and there was latitude within existing budgets to manage the cuts. The Director of Finance & Corporate Services was presenting a paper on the Museums response to the cuts at the 5th March Board of Trustees meeting.
- 6.2 The latest thinking was that the Treasury will oversee a spending round in the middle of this calendar year which will extend spending plans beyond the next Election in May 2015 and establish grant in aid figures for 2015/16. Current expectations were that the trajectory of reduction in government spending will continue and, if this was so, a further reduction of c.5% could be anticipated, with further cuts to follow in 2016/17 and beyond.

ACTION

- 6.3 Capital and Project Expenditure – Museums & galleries received a baseline capital grant in aid budget to maintain infrastructure, for example, the lifts. The Museum Programme Group (MPG) had a policy that all projects must address core backlog maintenance requirements when undertaking new projects. The Government also provided funding for specific capital projects. HM Treasury used a “Net Present Value” (NPV) or “Internal Rate of Return” (IRR) to rank projects and make funding decisions. It was believed the Treasury favoured projects that generated growth. There was, therefore, a risk that baseline capital funding maybe cut in order to fund growth projects.
- 6.4 Central Hall and the Treasures Gallery - The funding for the Central Hall and the Treasures Gallery was self generated and did not receive any additional funding from Government.
- 6.5 Currently expert consultants were carrying out studies to determine the Museum’s best options for future collections storage. Once completed the Museum needed to have the capacity to deliver these and other projects. To address this NHM was: (a) establishing a centralised capital projects and programmes office; and (b) building project management costs into budgets. The co-opted member cautioned that the problem of ensuring capital spending in a reasonable timeframe will increase as the Development Trust raised further funds. Any inability to spend capital raised by the Development Trust in the short term was likely to damage funding in the longer term.
- 6.6 Meeting with new Secretary of State for Culture, Media and Sport - In his capacity as Chair of the National Museum Directors’ Council (NMDC) the Director met Maria Miller in December. Her initial period in office had been dominated by press regulation and the Gay Marriage Bill. The retention of free admission remained a firm government priority, even in the light of further funding cuts. Maria Miller’s private sector background in advertising meant she appreciated the commercial issues museums faced. Officials had indicated Ms Miller may be considering setting up an advisory group on museums and the Director would like to be involved.
- 6.7 Attendance Record in 2012 – In the calendar year 2012 the NHM achieved an all-time attendance record breaching 5m at South Kensington. Other Museums had also reported record attendance. Both the Tate and V&A gave press releases of their record numbers at the end of the year. NHM planned to do so at the end of the 2012/2013 financial year. It was noted the increase in visitor attendance had not been replicated by the same growth in visitor related income. The Association of Leading Visitor Attractions (ALVA) data on attendance for the year will be circulated to members for information.
- 6.8 Red/Green Zone Circulation Improvement Project - Due to the work linking the Earth and Life Galleries through Lasting Impressions NHM had been operating as two museums. This led to: (a) a challenge estimating visitor numbers as they entered the Museum twice; and (b) income was down in Earth Galleries shop. The new ramp and link was to open on Saturday 16th February in time for half term. The tiled finish on the ramp and decorative works will be completed outside Museum opening hours to keep the new access open permanently.
- 6.9 Public Engagement Group Restructuring – The restructuring was going to plan and appointments were being made in a downward cascade and will be completed by 1st April. A number of senior level redundancies had taken place and there will be further redundancies. PEG Heads of Department had been reduced to 4 and they were working to maintain the timetable. In the short-term the ability to deliver public facing activities to the required standard was slightly compromised, due to the unsettling period for staff.

MD/JD

ACTION

- MD/JM
- 6.10 Revision of the Learning Strategy 2003/4 - Professor Sir John Holman (Trustee) had been very helpful in developing NHM thinking. Last week Sir John gave a workshop on the Wellcome Trust Review of Informal Science Learning. The trust commissioned two reports, from GHK Consulting and from Stanford and Oregon State Universities, to review informal science learning in the UK and its value to science education. Sir John and the Director believed there was an opportunity for the NHM to: (a) establish itself as an informal science learning centre of excellence; and (b) apply to the Wellcome Trust with a funding proposal for a new Learning Centre. It was noted the Development Trust had recently received a £100k donation for Learning.
- 6.11 Board Appointments – The Business and Commercial trustee proposal had gone to the Prime Minister's office for approval with the request that it was effective from 18th February (Kim Winser OBE was appointed). The scientific trustee vacancy had been accepted and the new trustee will take up the position from 1st April.
- 6.12 Collection Storage Infrastructure Programme - John McAslan and partners (architects) had been retained to complete feasibility studies on viable options for further improvement to collection storage. This will focus on consolidation of the Earth Science collections (i.e. Palaeontology and Mineralogy) at South Kensington. In addition, as there were limited opportunities for new build at South Kensington the consultants will also consider options for off-site storage in strategic partnership with other organisations (e.g. botanical collections with Kew, geological collections with the British Geological Survey and library holdings with the British Library). It was believed that long term joint funding proposals for improving the nation's science infrastructure were more likely to succeed.
- MD
- 6.13 Partnership Discussions - In January the Director met with the new Director of the Smithsonian National Museum of Natural History. The NHM Director impressed on him his desire to get major collections based natural history museums to work together more effectively on big issues e.g. digitisation. As result the Director of the Smithsonian and new CEO of the Field Museum Chicago had set up a meeting of U.S. natural history museum directors in May. The Chairs of the Board of Trustees and the Audit & Risk Committee agreed that it was very important for the Director to attend even though the meeting had the potential to clash with the Board of Trustees meeting on 21st May.
- MD/IO
- 6.14 Brazil - The British Council and UK Trade & Investment (UKTI) had set up a series of visits to Brazil to explore scientific and commercial consultancy opportunities. The Museum Director and Director of Science were participating in a ten day trip in March. They would be discussing long term opportunities for providing consultancy to the growing Brazilian museum and cultural sector. The Director recently met with the UK Ambassador to Brazil who was very enthusiastic about NHM participation.
- MD
- 6.15 NHM Development Trust - A meeting of the NHM Development Trust was held on Tuesday 5th February. When the trust was established the articles of association limited the number of trustees. Therefore, in order to recruit additional trustees there was a requirement to change the articles of association. As the Director was a trust member and exercised power on behalf of the Board of Trustees he will ask the Board to agree the change on 5th March. The proposal will then be sent out by written resolution. It was noted that the Board had the right if they wished to nominate a trustee for every three that were appointed to the Trust.

ACTION

7 DIRECTOR OF FINANCE'S & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD (PAPER TAC 4/2013)

7.1 The Director of Finance & Corporate Services presented his paper.

7.2 General Fund - The forecasted outturn for the General Fund of £4.467m was below the original budget by £0.212m (after taking into account the capital grant payment to the Development Trust of £3.5m in 2011/2012). It was also marginally below the forecasted outturn of £4.5m used for preparing the balanced budget for 2013/2014, though it was anticipated that this will be achieved.

7.3 Designated \ Restricted Fund - It was also forecast that there will be a designated \ restricted fund of £6.4m at the year end to be carried forward to 2013/2014. This reflected the rescheduling and reassessment of capital projects. The designated \ restricted funds in the balance sheet will available to spend on projects in 2013/2014. The Museum needed to spend the baseline capital grant in aid budget of c£2m to demonstrate that the year end funds were designated \ restricted. There was an agenda item on effective and robust plans to deliver capital projects over the next three years later in the meeting – please see item 15.

MD/NG

7.4 The Chairs of the Board of Trustees and the Audit & Risk Committee expressed concern that in the present economic climate the Treasury may wish to recover year end surplus funds. They were of the view that unless there was certainty that donations would be spent in the year they were received they should be transferred immediately to the Development Trust. It was noted, however, that this had happened with the first significant donation of £100k.

NG

7.5 Capital Grant Payment to the Development Trust – In November the Director of Finance & Corporate Services submitted a forecasted outturn to DCMS for the Autumn Statement. The return recorded a capital grant payment to the NHM Development Trust in 2012/2013 of c£2.5m to be paid out of the designated \ restricted fund of £6.4m. The return took into account grant in aid, self generated income and donations. The justification to Treasury and DCMS for the £2.5m transfer was: (a) some funds were restricted; (b) unrestricted funds (i.e. donations and self generated income) were required for future capital projects; and (c) the Treasury had granted the Museum access to historic reserves over a four year period. The Chair requested that there was an explanation of this justification in the Director of Finances & Corporate Services May Review. The Director of Finance & Corporate Services was required to confirm with DCMS the actual capital grant payment to the NHM Development Trust. This will be reflected in the year end consolidated accounts and had not yet been agreed formally with DCMS. Although museums and galleries were expected to meet the figure in their return their financial position may have changed. As a result DCMS entered into negotiations with institutions to balance the total figure transferred across the sector. It was noted that last year the NHM offered to transfer more if DCMS wished.

NG

7.6 It was agreed that statements in the Director of Finance & Corporate Services Financial Review should be more transparent in reflecting donations transferred to the Development Trust. The summary figures should record donations transferred during the year. It was noted, however, that there had been no transfers to the Development Trust in the current financial year to affect the annual forecasted net total for 2012/2013.

7.7 Self Generated \ Trading Income - It was observed that in a number of cases trading costs were going up and income down. This related in particular to retail where agency labour costs had increased due the working time directive and holiday pay. The income from Planning & Design Consultancy and admissions will also be less than 2011/2012. It was noted that the 2012/2013 exhibitions programme had not been as popular as 2011/2012.

ACTION

- 7.8 Grant In Aid Cuts - As the Director reported earlier the Director of Finance & Corporate Services was presenting a paper on grant in aid cuts at the March Board of Trustees meeting. The cut of 1% in 2013/2014 equated to c£430k and the 2% cut in 2014/2015 equated to c£860k. These cuts were manageable and could be accommodated within cash flow management. The issue, however, was how the Museum positioned itself if there were further cuts in 2015/2016 and 2016/2017. This will be discussed at the Executive Board Planning Conference in April.
- 8 KINGSTON SMITH AUDIT STRATEGY FOR YEAR ENDED 31ST MARCH 2013 (PAPER TAC 5/2013)**
- 8.1 The Kingston Smith Partner presented his paper.
- 8.2 Audit Fees - The Committee reviewed the strategy and approved the estimated audit fees which had been the same for the last two years. It was noted that although salaries had gone up in the year by 3.5% Kingston Smith had been improving their efficiency without compromising quality. In particular, there was continuity of staffing for their audit work. The fee for the HMRC corporation tax return and iXBRL filing was expected to come in under budget.
- 8.3 Internal Controls – Kingston Smith had met with the Head of Risk & Assurance to discuss audit work undertaken and any reports specific to the Trading Company. Kingston Smith would be meeting with her again during the final audit.
- 8.4 Key Areas – Kingston Smith had held their pre audit meeting with the Director of Finance & Corporate Services. As a result Kingston Smith had not identified any area at a higher risk of misstatement in the accounts. It was noted that Kingston Smith did not consider any areas of the Trading Company were high risk.
- 8.5 Fixed Assets – The Museum had contracted with a major company to analysis mineral samples over three years. The company had made an up front payment which was used to purchase equipment to carry out the analysis. Kingston Smith would check to ensure this was properly accounted for. The equipment appeared at cost in the Trading Company accounts and the income payment was released against the life of the service contract.
- 8.6 Retail Shops - It was observed that the shrinkage had been very low last year.
- 8.7 Fraud - Following discussions with the Director of Finance & Corporate Services and Head of Risk & Assurance Kingston Smith had nothing to report.
- 8.8 Timetable - The timetable was the same as previous years and the interim audit had commenced. The closing meeting would be in early June. The Audit & Risk Committee consideration of the accounts was on 27th June and the Board of Trustees approval was on 2nd July.
- 8.9 Clear Line of Sight (CLOs) – It was noted that CLOs work was undertaken by the NAO and not Kingston Smith. All the NHM subsidiaries will be included in the resource accounts submitted to DCMS for consolidation. The timetable and information required was still to be determined. However, the “default position” was that trial balances will be produced for the NHM and it’s subsidiaries by mid May. These will be used to prepare the CLOs information. As any adjustments will not be material there will be no further NHM submissions to DCMS.

ACTION

9 HEAD OF RISK & ASSURANCE PROGRESS REPORT TO FEBRUARY 2013 (PAPER TAC 6/2013)

- 9.1 The Head of Risk & Assurance presented her progress report and an internal audit report on Travel and other Expenses.
- 9.2 Long Term Inherently High Risks - The progress report had been amended to reflect work done on "long term inherently high risks". It was noted that as some risks were very wide it was not possible to cover them in one review e.g. Fraud.
- 9.3 Internal Audit Transformation Programme - The Director of Finance & Corporate Services had recently received a communication from the Head of Finance at DCMS. This stated that the DCMS intended approach was to break down the sharing of Internal Audit Services (IAS) into the three levels which had been reported to the November meeting of the Audit & Risk Committee. From 1st April ALBs will join the IAS Group at Level 1 – Collaborative model. Post April discussions will determine what level of integration the ALB will ultimately reach. The intention was that further collaboration would not be made compulsory but that the decision taken about the level of integration for each organisation should be clearly defensible. The collaborative level did have a number of benefits such as call off contracts which provide access to specialist skills e.g. IT. However, it was noted that government contracts were not necessarily cheaper for individual organisations. In addition, it was not clear how collaboration would work given that the majority of museums and galleries had contracted out internal audit. There was also concern that there would be external pressure to influence the scale and direction of internal audit.
- 9.4 The shared internal audit function, for DCMS, the Department for Business Innovation & Skills (BIS), the Department for Communities & Local Government (DCLG), Cabinet Office (CO) and the Department of Energy and Climate Change (DECC) was to be joined by the Department for Education and the Treasury.
- 9.5 Corporate Risk Presentations - The Head of Risk & Assurance had attended HM Treasury's Audit Committee Members event in January. A number of Audit Committee chairs recommended that presentations to Audit Committees on the management of risks should be "deep dives" and include operational staff as well as senior staff. The Chair of the Audit & Risk committee observed the committee had done this when it paid a visit to the Security Control Room. He was in favour of doing this occasionally.
- 9.6 New Finance System – It was noted that the review of budget setting and control had been postponed due to work on restructuring budgets and the procurement of a new Finance System. The current Finance system CODA was old, technology had advanced significantly and in the near future the version used will be unmaintained. In addition, the current system: (a) had limited reporting capabilities; (b) did not have an integrated sales invoicing module and invoices were often hand written; and (c) there were approximately 20,000 paper purchase invoices in circulation each year which was not efficient. It was noted the long term 10 year strategy was to have full integration of core systems e.g. HR and Customer Relationship Management (CRM), which was not currently possible. Three Finance system tenderers had been short listed and a final selection will be made in late March early April. Implementation will begin at the end of July once the annual accounts had been finalised. It was noted that outsourcing back office operations e.g. Finance and HR, was more appropriate for large organisations and this was not the intention of NHM.

MD/JD

ACTION

9.7 It was observed that internal control systems, human behaviour and security requirements needed to be considered when implementing new technology. This would be easier now that the Museum had established centres of financial and administrative support in Science Group and Public Engagement. The Director of Finance & Corporate Services was the SRO and the Head of Financial Accounting was the Project Manager for the new Finance System. The new Head of ICT was also providing support. The staff resources for the project were being assessed and a budget was in place for 2013/2014. The Chair of the Audit & Risk Committee recommended that the time needed to complete the project was assessed taking into account the experiences of other organisations.

NG/MCT

9.8 It was agreed:

MD/NG

- (a) the implementation of a new Finance System will be a major corporate risk in 2013/2014;
- (b) the committee will receive a presentation on the management of the risk; and
- (c) the Audit & Risk Committee will receive an update on the risk at each meeting.

Members also recommended that there should be a senior person running the project fulltime who did not have any other work commitments until the project was complete.

9.9 Travel and other Expenses – The Audit & Risk committee noted the report and that it was good practice for the Director's claims to be reviewed by the Chair of the Board of Trustees on an annual basis. The Chair of the Audit & Risk Committee was pleased to see that the Museum was introducing a single Travel Management Company "Key Travel" to manage all official travel.

10 INTERNAL AUDIT & RISK STRATEGY (PAPER TAC7/2013)

10.1 The Head of Risk & Assurance presented her strategy. It was considered good practice for the Audit & Risk Strategy to be approved by the Committee on an annual basis.

10.2 The Committee considered and approved the Audit & Risk Strategy which had been updated and took into account HM Treasury Good Practice Guide: Audit Strategy. It was agreed that the experience of working with the DCMS shared internal audit service at the collaborative level should be added to the strategy.

JD

11 RISK & ASSURANCE DRAFT PROPOSED PLAN 2013/2014 (PAPER TAC 8/2013)

11.1 The Head of Risk & Assurance presented her plan.

11.2 Major Corporate Risk Linkage to the Annual Risk and Assurance Plan –The Director observed that the Committee had rightly insisted that risk management should inform the annual plan but there was a dichotomy of views as to how this should be implemented. The Committee was asked to consider whether:

- a) The annual work-plan should look at risks in the same year risks appeared in the list of major corporate risks; or
- b) Risk & Assurance should check that plans devised to mitigate major corporate risks were in operation in the following year.

The view of the Executive was that the latter approach was more effective for the audit of major corporate risks but did not preclude examination of plans to mitigate other risks in year.

MD/JD

The co-opted member said there was little value in applying a limited resource to look at risks which were no longer considered a risk. It was agreed that only risks that were on-going would be reviewed in the following year.

ACTION

- 11.3 Long Term Inherently High Risks - The plan and 5 year plan in context which was also attached had been amended to reflect work done on “long term inherently high risks”. The first three years of the plan in context recorded the work already completed.
- 11.4 Retail Stock Management – The review of retail stock management included Tring.
- 11.5 Payment Card Industry Data Security Standard (PCIDSS) – The PCI Security Standards Council was founded in 2006 by major payment card brands. The requirements were intended to ensure that customer debit and credit card details were kept securely and were not open to fraud. One of the requirements was that the transfer of credit card data across the internet must be encrypted. The Risk & Assurance review of Science Income in 2012 had identified the fact that the Museum did not have any central guidance on the management of cardholder data collected by departments. This had been brought to the attention of the Director of Finance & Corporate Services who agreed that guidance would be included in the updated Financial Regulations. It was noted the Museum used 3rd party gateway providers who were PCI compliant for ecommerce, retail and visitor services ticketing.
- 11.6 The Partner, Kingston Smith said he had also raised PCI compliance with the Director of Finance & Corporate Services as banks were now asking about compliance in the case of lower category merchants. The level of compliance depended on the number of transactions processed by an organisation in a year. The Head of Risk & Assurance said she had requested information on the number of NHM transactions from Management Accounts, however, it was proving difficult to obtain.
- 11.7 Collections Security – A review of collections security which is a “long term inherently high risk” took place in 2010/2011. The review was followed up in 2012/2013 and included the Library.
- 11.8 Budget Setting, Monitoring and Control – It was observed by members and the Director of Finance & Corporate Services that although this was an important audit the third quarter as a possible period of review was optimistic. The Head of Risk & Assurance pointed out that in order to carry out an effective review the Finance Department must be able to provide staff that had sufficient time to assist Risk & Assurance.

12 GOVERNANCE PRINCIPLES OF THE NATURAL HISTORY MUSEUM (PAPER TAC 9/2013)

- 12.1 The Director presented the Governance Principles
- 12.2 A review of the Governance Principles of the NHM was overdue but had been delayed due to restructuring of two major Directorates, Science and Public Engagement. The governance Principles were to be presented to the Board of Trustees at their meeting on 5th March. It was noted that trustees and members of the Audit & Risk Committee receive an induction pack which contains the Governance Principles once their appointment was confirmed.
- MD/FA 12.3 Museum Governance Organogram - This was to be amended to show clearly that the Executive Board (EB) reported to the Board of Trustees.

ACTION

- MD/NG 12.4 Estates Building Advisory Committee (EBAC) – EBAC was an advisory group to assist the Museum with its strategic plans, specifically in relation to the conservation, improvement and operational management of the Museum estate. The meetings were formally minuted and members had been sent a letter setting out their terms of reference. There would be no Trustee representation on EBAC as the Chair Mr Ian Henderson was retiring from the Board of Trustees in March. The Director believed that EBAC should not be given the status of a committee of the Board and the Museum Governance Organogram maybe amended to reflect this. The Chairs of the Board of Trustees and the Audit & Risk Committee observed that even if EBAC was not a committee of the Board EBAC should include trustee representation.
- MD/NG 12.5 Internal Governance – It was noted that both the Director of Science and Public Engagement had centres of Finance and Administration reporting to them. The Chairs of the Board of Trustees and the Audit & Risk Committee recommended that the Heads of these centres should have a dotted reporting relationship with the Director of Finance & Corporate Services.
- MD/FA 12.6 Party Political Posts Para 3.7 and 3.8 – The view was expressed that the Museum needed to keep the wording of these paragraphs up to date. It was noted that wording came from the Cabinet Code of Conduct for Board Members of Public Bodies – June 2011.

13 MAJOR CORPORATE RISKS 2013/2014 (PAPER TAC 10/2013)

The Director presented his paper.

- 13.1 At this time of year NHM senior managers started to focus on the changing external and internal environment and considered how this will impact on the Museum profile of risks. NHM managers considered this in terms of risks: (a) NHM faces because of the sort of organisation the NHM is; (b) risks the NHM imposes upon itself e.g. a new Finance System; (c) risks NHM has no control over; and (d) risks that were emerging as the result of novel circumstances.
- 13.2 Committee members were asked to consider a range of factors and how these might impact the risk profile of the Museum.
- MD/JD 13.3 Cabinet Office National Risk Register of Civil Emergencies - The Chair of the Audit & Risk Committee recommended that when the Senior Management Team (SMT) considered major corporate risks in March reference was made to the Cabinet Office National Risk Register of Civil Emergencies. It was noted that this included severe space weather events which could impact on a range of technologies and infrastructure. The view was expressed, however, that the Museum should identify risks that were likely to affect the NHM operations rather than risks which were unlikely. A good starting point was to consider: (a) the risks NHM faces because of the sort of organisation it is; and (b) the risks NHM imposes upon itself. The Chair of the Audit & Risk Committee cautioned that low probability/high impact events should not be overlooked e.g. severe water restrictions due to a drought.
- 13.4 Bring Your Own Device (BYOD) – It was noted that the policy of permitting employees to bring personally owned mobile devices (laptops, tablets, and smart phones) to their workplace, and use them to access company information can result in security issues.
- 13.5 Infrastructure Maintenance - The Chair of the Board was concerned that due to cuts in grant in aid and maintenance expenditure there was an increased risk of an accident. A review of Infrastructure Maintenance had recently been carried out by the Head of Risk & Assurance and the final report was issued in February 2013.

ACTION

- 13.6 Health & Safety - The Museum had achieved OHSAS 18001 which was an internationally recognised standard for health and safety management systems. External consultants carried out an assessment of NHM OHSAS 18001 performance 4 times a year and the Health & Safety Team carried out internal reviews. The Head of Risk & Assurance received copies of all the reports. In addition, she was joining the Health & Safety Team and Environmental Officer in a February to review the Estates Department. It was noted that Health & Safety was a “long term inherently high risk”. The Head of Health & Safety prepared an Annual Health & Safety report which went to trustees. Health & Safety formed part of the Head of Risk & Assurance’s Annual Report to the Accounting Officer and the Museum’s Governance Statement in the Annual Accounts.
- 13.7 Brand and Reputational Risks – Brand and reputational risks should be considered. These may arise from inadequate maintenance expenditure and subsequent Health & Safety issues. The Director observed that his advocacy around reduced grant in aid funding included the fact that further cuts will reduce the Museum’s ability to run a safe and secure front of house operation.
- 13.8 Staff Morale – It was Executive Board policy to be very transparent with staff on the impact of the on-going grant in aid cuts and this affected morale. In addition, the restructuring exercises in Science and PEG had been unsettling for staff.
- 13.9 Digitisation - It was observed that there were challenges relating to the digitisation of the collections. The French government had been actively supporting their national museum in a programme of digitisation with, for example, 10m Euros of funding to complete digitisation of their entire herbarium collection of 10m items.
- 14 PRESENTATION BY PAUL BRERETON (DIRECTOR OF HUMAN RESOURCES) ON THE CORPORATE RISKS “KEY STAFF MOVE ON AS A CONSEQUENCE OF THE LONG TERM PAY FREEZE” AND “SUITABLY SKILLED WEB, IT AND SCIENTIFIC STAFF CANNOT BE RECRUITED OR RETAINED AS A CONSEQUENCE OF UNCOMPETITIVE PAY RATES” (PAPER TAC 11/2013)**
- 14.1 The Chairman welcomed the Director of Human Resources who had been unable to attend the November meeting due to illness. The Director of Human Resources explained that the two risks were different but similar.
- Key staff move on as a consequence of the long term pay freeze***
- 14.2 The Executive Board had taken the decision that NHM pay arrangements were not contractual. This meant that the NHM was obliged to comply with the current Treasury pay remit. Any salary savings went towards reductions in grant in aid and reduced the need for redundancies. The Museum had done what it could to mitigate the risk. In particular: (a) providing a framework for career development for everyone; (b) ensuring resources were available to support people progressing through that framework; and (c) delivering transparent and equitable succession planning. Unfortunately, however, the longer the restrictions on pay remained in place the less success Museum action will have in retaining staff that have growing financial commitments and career ambitions.
- 14.3 Key performance indicator (KPI) - The Director of Human Resources was working with other National Museums to create a key performance indicator (KPI) that included turnover and absence rates. The KPI should be completed by the Summer. NHM staff turnover had dropped over the last two years, however, the turnover calculation was complicated by redundancies and outsourcing.

ACTION

- 14.4 Public Sector and Private Sector Employment Opportunities – Public sector opportunities to move on had reduced due to pay restrictions and cuts in funding across the sector. In addition, the Civil Service final salary scheme was attractive to middle aged staff who were the majority in the Museum. It was also noted that many staff skills in the NHM were very specialised and related to museums and other scientific institutions. How transferrable these skills were to the private sector was debatable.
- 14.5 Administrative Freedoms - In the Director's work as Chair of NMDC he had been asked by Treasury officials to suggest what further administrative freedoms museums might be granted if funding continued to fall. Some relaxation in the way the Treasury pay remit worked was high on the list. Currently the Museum was constrained by a limit on the size of the increase of the total pay bill and the average annual pay award for employees.
- 14.6 Transparent and Equitable Succession Planning - The Director of Human resources explained that in his experience succession planning failed if it was not transparent and equitable. The Executive Board had signed off on a process for selecting high potential members of staff. This included competencies, coaching and feedback. Internal staff will then be in a position to compete for senior staff vacancies against internal and external candidates.
- 14.7 Key Roles – The Executive Board had agreed to draw up a list of key roles and in some cases individual members of staff where they would be hard to replace. The expectation was it will include approximately 30 posts. Mitigation strategies will then be put in place. An example, of a mitigating strategy was the knowledge of a member of staff who had managed payroll for 30 years was automated into the HR system to reduce reliance on that person.

Suitably skilled Web, IT and Scientific staff cannot be recruited or retained as a consequence of uncompetitive pay rates

- 14.8 Heads of Life Sciences and Earth Sciences - Recruiting to these posts had been made harder by the Research Excellence Framework (REF) the new system for assessing the quality of research in UK higher education institutions (HEIs). The date for determining the affiliation of research staff to a particular institution was 31st October 2013. This had resulted in good scientists being paid unusually large amounts of money to move to an institution before that date. In addition, attracting world class talent into the Museum, particularly from abroad, was affected by the high cost of living in London. A detailed analysis of recruitment issues will be made by the Director of Science, concluding in the Spring with recommendations.
- 14.9 Default Retirement Age - The Director considered that the removal of the default retirement age and the end of compulsory retirement exposed the Museum to a major corporate risk. Experience in the USA had shown that staff in certain posts continued to work into their 70s and 80s, in some cases raising performance management issues. It was noted that the Civil Service partial retirement rules allowed members to take some or their entire pension and work part-time. It was then necessary to reshape their job in order to use their expertise effectively.

The Chairman thanked the Director of Human Resources for his informative presentation.

15 PRESENTATION BY TERESA WILD (DIRECTOR OF PROGRAMMES) ON THE CORPORATE RISK "EFFECTIVE AND ROBUST PLANS ARE NOT IN PLACE TO DELIVER CAPITAL PROJECTS OVER THE NEXT THREE YEARS".(PAPER TAC 12/2013)

- 15.1 The Director of Programmes made her presentation on the management of the risk. She explained the risk could not be taken in isolation and was related to two other risks: (a) the absence of a dynamic Estate Masterplan; and (b) insufficient people resources.

ACTION

- 15.2 Plans - The Museum needed to have up to date plans in place. In particular, the Museum's Development Framework 2009 was under revision to ensure it was relevant to current strategic thinking. An implementation plan was under development for the delivery of priority infrastructure projects and programmes over the next ten years. This was agreed by the Executive Board. The Science and Public Engagement Directorates were developing robust programme and project plans, to deliver priorities within the next three years.
- 15.3 Governance Structure – The Museum's Governance Structure was under review. One of the objectives was to ensure that plans for priority projects were signed off and interrogated at the right committee and at the right stage as the project proceeds. Decisions were now being made on a timelier basis as issues went from the Project Board to Museum Programme Group (MPG) and if necessary were escalated to EB more efficiently.
- 15.4 Science - The Science Strategy had been revised and the Director of Science had identified a senior member of staff (the Head of Earth Sciences) to lead on all the capital collections feasibility studies.
- 15.5 Public Engagement – The Public Engagement Group review and restructure was not as advanced as Science Group but will ensure that staff resource and robust planning processes were in place. A review of specific strategies will inform the planning of priority capital projects and programmes e.g. the Gallery Plan, Special Exhibitions Programme Review; and Learning Strategy.
- 15.6 Estates – The Head of Estates was reviewing his staffing and planning processes.
- 15.7 Delivery and Scrutiny – The Masterplan Strategy Group (MSG) had been set up and this reported directly to EB. This was developing the 10 year delivery plan, setting out, against a timeline, the sequencing of projects and the spending profile, taking into account what was achievable. This was working well and a feasibility study on collections storage had commenced.
- 15.8 Planning Delays - MSG had identified three pieces of work that needed to be addressed to tackle the planning delays caused by the large number of interrelated projects. These were: (a) the collections storage feasibility study; (b) the circulation study to manage increasing visitor numbers; and (c) the grounds study. EBAC was particularly focusing on the grounds.
- 15.9 Central Project Office – A centralised capital projects and programmes office was to be established by 1st April. It will work through the Museum Programme Group to ensure robust and consistent project planning and resource allocation across the Museum. This office will co-ordinate and manage all the major projects across the Museum.
- 15.10 Museum Programme Office – The Museum Programme office was working with programme and project managers across the Museum to ensure the Prince 2 methodology was adhered to. The NHM approach to Prince 2 was not one of rigid application but scaled to the needs of the project.
- 15.11 The Director observed that it was important to ensure the Museum obtained value for money.
- 15.12 The Chairman thanked the Director of Programmes for her informative presentation.

16 ANY OTHER BUSINESS

- 16.1 There was no other business

17 DATE OF THE NEXT MEETING

- 17.1 The next meeting will be held at 10.00 a.m. on 8th May 2013.

ACTION

KEY TO ACTION INITIALS

Michael Dixon	- MD
Neil Greenwood	- NG
Ian Owens	- IO
Justin Morris	- JM
Jan Day	- JD
Melissa Clifford-Turner	- MCT