

**Trustees' Audit & Risk Committee
TAC 16/2015**

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

67th Meeting on Wednesday 11th February 2015

Present

Dr Derek Langslow in the Chair
Professor Sir Roy Anderson
Dr Kim L Winser OBE
Mark Richardson (co-opted member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Sir Michael Dixon (Director)
Neil Greenwood (Director of Finance & Corporate Services)
Jan Day (Head of Risk & Assurance/Committee Secretary)
Heidi Clayton (Interim Head of Finance)
Paul Keane (NAO, Director)
Matthew Atkinson (Audit Manager, NAO)
Nick Buxton (Partner, BDO)
Martin Burchmore (Partner, Kingston Smith)
Anjali Kothari (Partner, Kingston Smith)

Emily Smith (Head of Audience Development) was in attendance for item 15.

Chris Hills (Head of Human Resources) was in attendance for item 16.

ACTION

The Chair of the Audit and Risk Committee welcomed Anjali Kothari (Partner, Kingston Smith) back to NHM. Anjali Kothari had previously worked in the Museum as the Audit Manager for Kingston Smith. Anjali was replacing Martin Burchmore (Partner, Kingston Smith) who was retiring at the end of April 2015. The Committee thanked Martin for all his help over the years and wished him all the best in his retirement.

1 APOLOGIES FOR ABSENCE

ACTION

1.1 None were received.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (PAPER TAC 1/2015)

2.1 These were noted by the Secretary to the Audit & Risk Committee.

3 MINUTES OF THE MEETING HELD ON WEDNESDAY 6TH NOVEMBER 2014 (PAPER TAC 2/2015)

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

4. MATTERS ARISING FROM THE MINUTES

4.1 There were no matters arising.

5. AUDIT & RISK COMMITTEE TERMS OF REFERENCE AND ANNUAL CYCLE OF INFORMATION (PAPER TAC3/2015)

5.1 The Head of Risk & Assurance presented the terms of reference and annual cycle of information. Both were confirmed by the members.

6 DIRECTOR'S REPORT (PAPER TAC 4/2015)

6.1 The Director presented his paper.

6.2 Employer's Pension Contributions - The need to review the Museum's employment offer had been identified as a key issue going forward following five years of pay restraint in the public sector. The Employment Offer project will also include consideration of future pension provision. An update on the Museum's employment offer project will be taken to the Board of Trustees. The Museum was benchmarking its pension arrangements and pay awards against other museums and galleries.

6.3 Insolvency of Subscription Agent, SWETS - The payment to SWETS of c.£310k for 2015 serial publication subscriptions was in excess of the Museums DCMS delegated financial limit for losses. Any individual losses exceeding £100,000 were required to be reported to DCMS and recorded in the annual statutory accounts. The Director of Finance & Corporate Services had notified DCMS informally of the loss and will be doing so formally in due course. The Chair of the Audit & Risk Committee paid a recent visit to the Library & Archives. During the visit he was assured there would be no interruption to scientific work as alternative arrangements for the supply of scientific serials had been found. It was observed, however, negotiating with individual suppliers incurred NHM staff resource costs.

6.4 Museum Attendance - Attendance at South Kensington in the calendar year 2014 set another all-time record of 5.425m. However, the trend of slightly lower attendance in Q2 relative to prior year had continued in Q3 and the first month of Q4. The Museum understood that other London based peer Museums were experiencing a similar decline. NHM was awaiting market survey information and comparable data.

6.5 Special exhibitions – The Wildlife Photographer of the Year (WPY) attendance to the end of January 2015 had exceeded the target. Corals, Secret Cities of the Sea will open in March 2015 and the Museum was commencing media briefings on the exhibition.

6.6 Commercial Performance - Weekly sales figures suggested that on-site income generation through retail and catering was strong despite lower visitor numbers.

NG/CH

ACTION

- 6.7 New Donation Boxes - New donation boxes had been introduced. The Museum was being slightly more assertive and front of house staff were asking visitors to consider making a donation as they entered the Museum. Initial feedback was the donation rate had risen by c.70%. It was noted other Museums who had adopted a more aggressive approach to eliciting donations were generating more income than the NHM.
- 6.8 Sector-Wide Collection Storage - The Museum continued to discuss a strategic approach to offsite storage with DCMS and selected partners. DCMS were keen to bring the large National Museums together on this issue but had not progressed. As a result the Museum Director had been asked to convene a meeting of key parties to explore common ground. DCMS had taken on board the observation that there was no single solution to the problem. The Museum Director was encouraging DCMS to push for Treasury funding for a shared arrangement which will likely be the most economical option. The solution may be new build or a repurposed government building.
- IO/MD 6.9 The Chair observed that the Estate & Buildings Advisory Committee (EBAC) favoured taking a firm costed proposal which was not reliant on Treasury support to two or three partners.
- 6.10 Launch of New Museum Strategy - The new Museum Strategy was launched internally to staff on 13th January 2015 during an early morning presentation in the Darwin Centre atrium. The Museum was grateful to those Trustees who were able to attend the event which was well received by staff. In order to promote the new Strategy to a wider public, the Museum decided to use an announcement of the proposed changes to Hintze Hall to attract media attention. The announcement caught the public imagination and was a wonderful opportunity to talk about the new Strategy.
- 6.11 Trustee appointments - The remaining Trustee vacancies were filled in the run up to the end of the calendar year and the Board was now complete. The new appointments were Hilary Newiss a lawyer, Simon Paterson a technology investor, Prof Stephen Sparks a volcanologist and Anand Mahindra a businessman and the first international Museum Trustee. It was noted that the turnover of trustees in the last three years had been exceptional. It was difficult, however, to change the cycle of appointments as the composition and term of office of trustees was set by the British Museum Act.
- 6.12 Review of Outstanding Audit Recommendations - The Museum Director and Head of Risk & Assurance continued to review the audit recommendations outstanding from previous audit reviews in their one to one meetings. They had agreed that in future the Head of Risk & Assurance will add a section to her report which covered these discussions.
- 7 DIRECTOR OF FINANCES & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2014 - DECEMBER 2014 (PAPER TAC 5/2015)**
- 7.1 The Director of Finance & Corporate Services presented his paper. He observed that there had been challenges in producing some information from the new Finance system. However, there was a high degree of confidence in the figures accuracy with the exception of a few possible adjustments to commercial activities.
- 7.2 General Fund - The forecasted General Fund year-end outturn for 2014/15 was £5.803m which was used for setting the budget approved by trustees in November 2014. This was a significant increase of £1.823m compared with the original budget approved by Trustees in November 2013.
- 7.3 Visitor Related Trading Income - Visitor related trading income was above the budget year to date. This reflected continued strong performance for retail, catering, exhibition tickets plus

ACTION

tickets with a donation. If a UK taxpayer brought a ticket that included a donation the Museum can claim Gift Aid on the full value of the ticket, as well as the donation. Offsite donations were an area for potential growth

- HC/JD
- 7.4 Retail - Kim Winser and the Chair of the Audit & Risk Committee asked for a more detailed analysis of retail income and costs.
- 7.5 Wildlife Photographer of the Year (WPY) - There had been increased expenditure for the WPY to reflect an increase in costs for: (a) the award event; and (b) a back dated licence fee payment to BBC worldwide. The buyout of the WPY from BBC worldwide had been completed but was not yet reflected in the management accounts. It was likely that the purchase will be capitalised in the Trading Company accounts. A decision was required on whether the asset was tangible/intangible and intellectual property/brand.
- 7.6 Other Self-Generated Income - Other self-generated income appeared to be down.
- 7.7 Publishing - It was noted that the income figure for Publishing may require adjustment upwards as all the data had not been received. Books were sold through agents and adjustments were required to stock holdings.
- 7.8 Science Income - Total science income appeared to be down. However, a year on year comparison of scientific grant income was not straightforward due to the way grant income and costs were recognised. This often depended on the terms and conditions of individual grant contracts.
- 7.9 Recurrent - Operating Expenditure - It was anticipated that the salary expenditure will be line with the budget whereas it was likely that there will be some savings against recurrent expenditure for the full year outturn. Self-generated trading costs were down c.£500k from prior year. This had arisen partly due to the fall in science income and the associated costs of c.£350k. In addition, admission costs were down by c.£230k due to the better management of staff working on the admission desks.
- 7.10 Science Grants Overheads - The overhead margin recovered on science grants awarded to the Museum varied and in a few cases there was no overhead. All research grants bids were agreed by the Head of Department and the Museum's Research & Consulting Office who assisted in the preparation of bids. It was observed that the University Sector only accepted grants with no overhead in very exceptional circumstances. The Chair of the Audit & Risk Committee asked that the Committee received a paper on the Museum's primary purpose for winning research grants, the preparation of bids and overhead/full economic cost recovery.
- IO/VP

8 UPDATE ON SUPASOFA (PAPER TAC 6/2015)

- 8.1 The Director of Finance & Corporate Services presented his paper.
- 8.2 The November 2014 Audit and Risk Committee received a paper on how to achieve a more readily identifiable Profit & Loss or Income & Expenditure figure than currently displayed via the SoFA (Statement of Financial Activities) in the Museums' statutory accounts. The Committee agreed the approach should follow the V&A model with a financial performance table within the foreword focussing on a reconciliation of the operating result to the SoFA rather than a "SuperSofa" within the financial statements. While the financial performance table needed to be consistent with the statutory accounts it did not require a full audit by the NAO/BDO.
- 8.3 The production of the financial performance table approach was not a difficult exercise and members approved the format. A revised table and associated commentary will be brought to the informal review of the Accounts by the Audit & Risk Committee in June 2015.

ACTION

NG/HC

Consideration will also be given to: (a) producing an analysis over a five year period; and (b) combining into two columns: (i) the designated, restricted and endowments activity; and (ii) fixed and heritage assets.

8.4 Charities SORP July 2014 – It was noted that the new Charities SORP July 2014 applicable for the 2015/16 accounting period was designed to ensure compliance with the recently issued financial reporting standards, specifically FRS 102. Comparative figures were now required for all columns in the SoFA, either by way of adding further columns or by providing information in the notes. The new presentation will assist the public who were more used to reading the Profit & Loss Account used in the commercial sector. The Finance team had already attended a training course on the new SORP as consideration was required as to how 2014/15 figures will be restated as comparative figures in the 2015/16 financial statements.

8.5 Gain on Fixed Assets - The gain on fixed assets arose as in accordance with Treasury Guidance all NHM land and building assets were revalued quinquennially on a depreciated replacement cost basis.

9 KINGSTON SMITH AUDIT STRATEGY YEAR ENDED 31ST MARCH 2015 (PAPER TAC 7/2015)

9.1 Audit Fees - The Committee reviewed and approved the strategy and the estimated audit fees which had increased by 1% on prior year.

9.2 Audit Approach - Kingston Smith had considered the new Finance System - Key Financial Controls report and amended their audit approach in the light of the key findings. The areas updated were: (a) management override and the sample testing of journals; (b) fraud in revenue recognition; and (c) they will test the transfer of all opening balances into the new system.

9.3 Materiality - To enable Kingston Smith to perform an appropriate level of audit testing a figure for materiality will be calculated at the planning stage.

9.4 Independence and Objectivity - Anjali Kothari had taken over as audit partner with effect from 2015 replacing Martin Burchmore who had been the audit partner for over 10 years. Kingston Smith had been the external auditors for the Trading Company for approximately 25 years. The UK Corporate Governance Code, however, required that FTSE 350 companies put the external audit contract out to tender at least every ten years. It was observed that this did not apply to the not-for-profit sector where continuity of professional knowledge and independence needed to be balanced.

9.5 Closed Session - A closed session between the Committee members, the External auditors and the Head of Risk & Assurance without the Museum Executive was a standing agenda item at the summer meeting of the Audit & Risk Committee.

9.6 Gift Aid Transfer – There was a meeting of the NHM Trading Company in March each year at which it was resolved that profits for that financial year will be transferred under Gift Aid to the NHM. Donations made by companies to a registered charity were not within Gift Aid relief. However, the Trading Company received Corporation Tax relief on the charitable donation.

AK

9.7 Timetable – Kingston Smith will consult members if they anticipated that any changes to the timetable will be necessary.

10 HEAD OF RISK & ASSURANCE PROGRESS REPORT TO FEBRUARY 2014 (PAPER TAC 8/2015)

10.1 The Head of Risk & Assurance presented her report.

ACTION

- 10.2 The Head of Risk & Assurance hoped to complete the audit plan by the end of the financial year, although some reports may still be in draft.
- 10.3 Outstanding Recommendations Category 1 & 2 - The Committee reviewed a log of outstanding recommendations with a priority 2 classification or higher which was maintained by the Head of Risk & Assurance. The log was updated regularly and discussed with the Museum Director at their regular one to one meetings. The Chair of the Audit & Risk Committee found the log helpful in highlighting important issues. However, it was agreed the log should clearly record who was responsible for the action and where possible the target date for implementing the recommendation.
- 10.4 Delays in implementing outstanding recommendations were often due to: (a) the most effective way of addressing the recommendation not being clear; (b) consultation and negotiation is needed; (c) a lack of financial and staff resources; and (d) reliance on other initiatives.
- 10.5 Contract Letting and Procurement - A central repository of signed contracts will be established and maintained by the Procurement Manager. The need to store contracts in this way will be communicated by the Executive Board to their direct reports. However, further work was needed to embed this requirement.
- 10.6 Cash Room Operations – The interim Head of Finance had agreed that spot checks will be carried out by the Finance team. The Chair and members requested that a proposal on the number of checks was brought to the May meeting.
- 10.7 Changes to the Audit Plan 2014/15 - The review of “Acquisitions and Disposals” had been replaced with a joint review with the Registrar of “Research Loans In”. A planning meeting was held with heads of collections and the Heads of Earth and Life Sciences on 19th January 2015.
- 11 AUDIT & RISK CHARTER & STRATEGY (PAPER TAC 9/2015)**
- 11.1 The Committee considered and approved the Audit & Risk Strategy. It was agreed the Strategy should be revised to include: (a) Money Matters - Key Financial Controls Review - Phase 2 Assurance and Lessons Learned; and (b) the biennial review of the Museum’s firewall defence and internal network security.
- 12 RISK & ASSURANCE DRAFT PROPOSED PLAN 2015/2016 (PAPER TAC 10/2015)**
- 12.1 The Head of Risk & Assurance presented her plan
- 12.2 Data Protection - The plan included a review of data protection. It was noted that the Museum had addressed the actions required by the Cabinet Office in the HMG Security Policy Framework (SPF). In addition, annually the Head of Risk & Assurance provided the Museum Director with an opinion on the measures to manage information risk during the year. The external auditors warned, however, that data protection policies were often not as robust as they appeared on paper.
- 12.3 IT Firewall & Network Testing - The external auditors highlighted that malicious attacks were often carried out by “insiders” e.g. disgruntled employees. The IT Firewall & Network Testing will, therefore, include the internal network. It was observed that PLC companies carried out internet cyber attack monitoring to analyse the source of attacks, type of attacks and vulnerable systems. The information was used to protect key systems at risk. The Chair of the

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JD

Audit & Risk Committee requested a brief report with pragmatic recommendations on cyber attack protection and the monitoring the Museum should undertake particularly in relation to the Finance system, BACs payments and personal information.

- 12.4 The Committee will reconsider the draft plan in May 2015 in the light of the definitive, ranked list of 2015/2016 major corporate risks to be presented at that meeting.

13 MAJOR CORPORATE RISKS 2015/2016 (PAPER TAC 11/2015)

- 13.1 The Director presented his paper.
- 13.2 Following a discussion with the Chair of the Board of Trustees the Museum Director proposed a different approach to determining major corporate risks. It had become evident that some major corporate risks identified by the Museum should be treated as long-term inherently high risks. The threat of falling government funding, for example, had been a major corporate risk for a number of consecutive years. In reality, however, the risk will always be there and should be treated as a long term inherently high risk.
- 13.3 In future the Museum Director proposed to think about risk in the context of threats to the delivery of the new Museum strategy to 2020 and three categories of risk: (a) risks NHM will always be exposed to because of the nature of the organisation. These will be treated as long-term inherently high risks e.g. security; (b) risks NHM is exposed to because of the external environment over which the Museum had little control e.g. terrorist attacks; and (c) risks that the Museum imposes upon itself as the result of business decisions pursuing a particular strategy or strategic objective. The last category (c) seemed a more appropriate future approach to identifying major corporate risks.
- 13.4 Members endorsed the new approach which will make the Museum's risk register for 2015/16 look different to previous years. The twelve priorities set out in the new strategy were the most appropriate starting point for identifying 2015/16 major corporate risks.
- 13.5 Long Term Inherently High Risks - The Museum maintained a register of long term inherently high risks which were managed and monitored e.g. terrorism. In addition, the Head of Risk & Assurance's work plan included reviews of these risks e.g. collections management and pest management.
- 13.6 Decision Making - The restructure of Public Engagement and Science Group and the new associated procedures had led to over complicated decision making. During reorganisation decisions were escalated to a smaller group of senior managers. This had reduced the Museum's ability to make decisions in a timely manner. As a result the Museum Director would like to carry out a review of the decision making framework and levels of decision, taking into account financial and reputational risks.
- 13.7 Digital - The use of technology in the new strategy to deepen engagement with the collection, including mass digitisation of specimens, engaging virtual communities worldwide and creating innovative digital platforms was particularly challenging.
- 13.8 Reputational Risk - It was observed that inherent in a number of the priorities in the new strategy was the need for funding from commercial activities e.g. retail, membership, commercial hire, sponsorship and donations. The Museum's brand and values were at risk of being tarnished or damaged if NHM appeared to be overly commercial to its stakeholders and growing base of members and patrons. To avoid brand damage the NHM had a Policy on Third Party Engagement and performed due diligence on third parties with whom it engaged. In

ACTION

addition “damage to our reputation due to the lack of a transparent and defensible ethical review policy” was a long term inherently high risk.

- 13.9 Technology - It was observed there was a risk if the skillset of the Board did not include knowing enough about technology to ask strategic and technical questions. Simon Paterson a technology investor was a new appointment to the Board of Trustees. It was also observed cyber attacks by pressure groups who did not agree with NHM business decisions or a particular strategy was a corporate risk.
- 13.10 Social Media - The Museum had been subjected to recent positive campaigns on social media. The news that Dippy was to be moved out of the Museum's main hall to make way for a blue whale led to people voicing their disagreement using the hashtag #SaveDippy. Social media was a reputation management tool. Quick and reactive responses were required to manage social media crisis communications and advance planning was important.
- 13.11 Cuts in Grant In Aid - A major corporate risk should be if the government slashed NHM funding by, for example, £10m how that would be managed.

MD/JD

- 13.12 It was requested that a final list of 2015/16 major corporate risks & long term inherently high risks be presented to the May 2015 Audit & Risk Committee.

14 NEW FINANCE SYSTEM – KEY FINANCIAL CONTROLS REVIEW (PAPER TAC 12/2015)

- 14.1 The Director of Finance & Corporate Services and Chair of the Audit & Risk Committee thanked the co-opted member for reviewing the New Finance System - Key Financial Controls report by the NHS London Audit Consortium on behalf of the Committee.
- 14.2 The co-opted member observed moving from a mostly paper based system to a fully e-enabled system was a major systems implementation. He would, therefore, have found contextual information in the report as to how the Museum performed against other similar implementations helpful. However, the NHS London Audit Consortium had not been asked to provide this background. In his experience it was not common to have a comprehensive systems review so early on in the implementation phase while issues were still being addressed. The Executive should be congratulated in taking on the challenge.
- 14.3 The interim Head of Finance and her team had made real progress in closing down 39 of the 71 recommendations including all the high priority recommendations and progress was continuing. In particular the migration of the previous year balances had taken place. Management reports were being produced using SQL reports but not automatically from the new Finance system. The early audit work indicated three items in particular where immediate action was required and action was taken at the earliest opportunity.
- 14.4 It was noted that in view of the audit findings the external auditors will carry out additional work on: (a) journal processing. BDO IT auditors had data analysis and file interrogation tools which highlight unusual transactions; (b) the purchase ledger and BACS transmission files. BDO strongly recommended the Finance team carried out supplier reconciliations as part of their year-end routine as these will pick up changes to supplier bank account details; and (c) key account reconciliations. It was important that all reconciliations were up-to-date at the year-end.

NG/HC

NG

- 14.5 It was also appropriate to make reference to the significant control weaknesses highlighted by the audit in the Governance Statement.
- 14.6 The NHS London Audit Consortium will be returning in March/April 2015 to review progress and, ultimately, to give an opinion on assurance. It was agreed that prior to the May meeting the Audit & Risk Committee will receive: (a) a status report on the implementation of the

ACTION

- NG/HC/MR recommendations; and (b) a commentary by the co-opted member on whether progress was satisfactory, provided the necessary assurance and if any recommendations needed addressing as a matter of urgency.
- NB 14.7 It was also agreed that following the NAO/BDO interim audit in March the Audit & Risk Committee would be consulted on the details of any significant delay or change to the audit approach before the May meeting.
- JD 14.8 A review of the “Money Matters” project lessons learned should be completed towards the end of the year. The co-opted member observed a lesson to be learned was it would have been helpful to the Committee if the project reports had signposted the issues as opposed to giving the impression it was a model implementation.
- 15 PRESENTATION BY EMILY SMITH (HEAD OF AUDIENCE DEVELOPMENT) ON THE MAJOR CORPORATE RISK “FAILURE TO ADEQUATELY SPECIFY THE MULTIPLE NEEDS OF A CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM COMPROMISES INCOME GENERATION” (PAPER TAC 13/2015)**
- 15.1 The Head of Audience Development made her presentation on the management of the risk. The Head of Audience Development had taken over as SRO (Senior Responsible Owner) for the CRM (Customer Relationship Management) programme in October 2014.
- 15.2 The scope of the project was unclear and it was over budget. Therefore, over the course of Q3 a review and re base-lining of the CRM programme had been undertaken to respond to the RED status of the project and reduce the risk to AMBER. The review and re-base-lining of the programme had set a revised scope and budget which was approved for implementation at the January 2015 Digital Strategy Board.
- 15.3 The Head of Audience Development had discussed the CRM project with Simon Paterson (trustee) a technology investor. He recommended that Dunnhumby the company behind Tesco’s Clubcard conduct a review of the CRM Programme. Dunnhumby conducted interviews with approximately 40 key stakeholders across the Museum and reviewed project documentation. Dunnhumby were of the opinion that the scope of the programme was too large to be either manageable or affordable.
- 15.4 Dunnhumby recommended:
- (a) the programme structure and objectives were reset in light of the fact that the current programme was attempting to fix broken business systems and processes as well as introduce a CRM initiative;
 - (b) the Museum get started immediately with Membership as NHM were on the brink of setting up a CRM system and had the skills and understanding to do so;
 - (c) the Museum recruits and appoints appropriate data roles. The Museum was recruiting a Data Architect a role which was common in the theatre community but quite new to the culture sector;
 - (d) ownership of all audience communication was centralised and the CRM Manager had moved to the Marketing Team.
- 15.5 Dunnhumby reviewed the decision to progress with Microsoft Dynamics and the use of Silverbear as the implementation partner and agreed with the choice. Silverbear were working with other cultural institutions and efficiencies may, therefore, be possible.
- 15.6 Theatres were better at using their customer data than the cultural sector. The gold standard in the commercial sector was Amazon and Tesco. However, it was noted that CRM was an ever changing technology and the leaders in the use of CRM were constantly changing. CRM data

ACTION

did not need to be complex, however, it must put customers at the heart of the business and said a lot about brand.

- 15.7 The NHM is currently unable to identify individuals for targeting purposes and evaluation. Each person who engaged with the Museum saw the same content e.g. generic news letters and there was no content personalisation to drive engagement and sales. It was observed that once the NHM was successful in targeting individuals, in return customers will engage with the Museum and this required management.
- 16 PRESENTATION BY CHRIS HILLS (HEAD OF HUMAN RESOURCES) ON THE MAJOR CORPORATE RISK “OUR ABILITY TO OFFER A COMPETITIVE EMPLOYMENT OFFER IS REDUCED AND LEADS TO FAILURE TO RETAIN KEY STAFF AND RECRUIT INTO KEY VACANCIES” (PAPER TAC 14/2015)**
- 16.1 Phase 1 - Phase 1 of the Employment Offer had been completed and the results were reported to the Executive Board in February 2015. The objectives were: (a) to align the Museum’s Employment Offer with new Museum strategy and values; and (b) develop a sustainable and affordable offer. Beamans management consultants were engaged to advise a cross-Museum project board of senior representatives and trade union observers.
- 16.2 The Phase 1 messages were:
- (a) with the diversity of views it would be unrealistic to expect an Employment Offer which can meet all needs;
 - (b) the impact of the pay freeze had resulted in a tenuous link between pay and contribution;
 - (c) overall the Museum was in a good position with pay competitiveness. There were some issues with Research leaders and pensions in the academic sector. Digitisation roles were below market rates;
 - (d) there were issues with pay management and the absence of pay progression creating unwelcome consequences. Leapfrogging, for example, when staff get a 10% promotional increase into a new pay band overtaking staff already in the band;
 - (e) learning and development was appreciated;
 - (f) the Museum needed to do more with other benefits;
 - (g) the balance was shifting in the pay and pension equation. Pension contributions were going up and the benefits were reducing;
 - (h) work-life-balance and family-friendly policies were good but inconsistent; and
 - (i) the job family structure was generally right with the exception of researcher leaders and digital skills.
- 16.3 New Civil Service Pension Scheme - A new Civil Service pension scheme called alpha will be introduced on 1st April 2015 and the Principal Civil Service Scheme (PCSPS) will close to new entrants. The majority of existing PCSPS members (classic, classic plus, premium and nuvos), and most new members, will move to the new scheme. Employees with less than 10 years to retirement will be protected and remain in their old schemes. This was a ‘career average’, rather than ‘final salary’ scheme. Staff will be given a ‘scheme pension age’ in line with their ‘State pension age’ (due to increase to 67 between 2026 and 2028).

ACTION

- 16.4 The Museum trend was staff were retiring later at an average age of 62 and those taking partial retirement were retiring at 64.5 years. The Museum was not experiencing increased numbers retiring before 1st April 2015.
- 16.5 Phase 2 - Phase 2 included the costing of options and draft business case. The Employment Offer equation was pay, benefits, learning and development and work life balance. Particular attention will be paid to the last three as these can be enhanced at less cost.
- 16.6 Phase 3 - Work will be undertaken on the detailed proposal to be submitted to DCMS and HM Treasury. The approval process was a risk to the project.
- 16.7 Phase 4 - Phase 4 was the implementation phase, probably from August 2015 when the annual pay settlement 2015/16 was due. There will most likely be a phased approach to implementation over approximately three years.
- 16.8 Learning & Development - The Employment Survey showed learning & development was valued by staff. NHM shared some training e.g. coaching skills with local organisations including Imperial College. The training offer available from other organisations was not, however, included in the Organisational Development Prospectus 2015. Trustees were of the view the offer available from other organisations would attract prospective employees. However, it was observed this maybe seen as repackaging and not a new offer.
- 16.9 Pay Progression - HM Treasury pay remit rules required the removal of contractual incremental progression pay from Civil Service and public sector bodies pay schemes. NHM, however, had taken the view that progression pay in the Museum was not contractual. As a result pay progression in NHM was suspended when the public sector pay freeze was introduced.
- 16.10 Although not contractual pay progression was highly valued by staff and the trade unions. As a result its removal from Museum pay bands will require negotiation. In future pay progression may need to be performance related. Performance pay however, required equitable and transparent performance management and appraisal across the Museum which would be a challenge in the short term. It was noted that the "All-Staff Performance Bonus Scheme" was re-launched to staff in January 2014. Staff valued the bonus scheme.
- 16.11 Staff Turnover - The only areas of significant turnover were Visitor Services and Retail. Turnover in Science was not a cause for concern.

17 AUDIT & RISK COMMITTEE AND RISK & ASSURANCE EFFECTIVENESS (PAPER TAC 15/2015)

- 17.1 The Committee reviewed the effectiveness of the Audit & Risk Committee and Risk & Assurance team against HM Treasury and NAO good practice guidance. Both were found to be generally compliant with best practice.
- 17.2 Whistleblowing – The Museum had an independent, confidential telephone service to use if anyone believed there was an issue about fraud or other serious breach of policy which they were unable to report to their line manager.
- 17.3 It was agreed that it was good practice for Audit & Risk Committee approval of the annual Governance Statement to be supported by a report on the incidence of persons using the Museums whistleblowing arrangements in the last year.

NG/CH

18 ANY OTHER BUSINESS

- 18.1 There was no other business

ACTION

19 DATE OF THE NEXT MEETING

19.1 The next meeting will be held at 10.00 a.m. on 5th May 2015

20 MEMBERS PAID A VISIT TO THE CONTROL ROOM WITH THE HEAD OF SECURITY AND MET WITH THE HEAD OF VISITOR EXPERIENCE, LEARNING AND OUTREACH TO GAIN AN UNDERSTANDING OF THE MANAGEMENT OF VISITORS

KEY TO ACTION INITIALS

Michael Dixon - MD
Neil Greenwood - NG
Ian Owens - IO
Mark Richardson - MR
Jan Day - JD
Heidi Clayton - HC
Vanessa Pike - VP
Chris Hills - CH
Nick Buxton - NB
Anjali Kothari - AK