

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

90th Meeting on Thursday 5 November 2020
By remote access using Microsoft Teams

Present

MEMBERS

Hilary Newiss in the Chair
Robert Noel
Colin Hudson (co-opted member)

IN ATTENDANCE

Lord Green of Hurstpierpoint (Chair of Trustees)
Neil Greenwood (Acting Museum Director and Executive Director of Finance and Corporate Services)
Dr Douglas Gurr (Museum Director-designate)
Jan Day (Head of Risk and Assurance)
Sebastian Groth (Audit Manager, National Audit Office)
Kate Medland (Audit Principal, National Audit Office)

Dr Douglas Gurr was in attendance for items 1 to 6
Paul Gallagher (Programme Director - Public Spaces Programme) was in attendance for item 10.
Dr Tim Littlewood (Executive Director of Science), Kathryn Packer (Programme Director) and Nicola Busby (Change Management Advisor) were in attendance for item 11.

ACTION

The Audit and Risk Committee Chair reported there were two new members Professor Yadvinder Malhi (trustee), Harris Bokhari (trustee) who unfortunately were unable to attend. The Chair welcomed the Museum Director-designate to his first meeting.

ACTION

1 APOLOGIES FOR ABSENCE

- 1.1 Professor Yadvinder Malhi, Harris Bokhari, Beth Parry (Chief of Staff) and Alex Clark (Director, DCMS Financial Audit National Audit Office) sent their apologies.

2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS (PAPER TAC 36/2020)

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

3 MINUTES OF THE MEETING HELD ON 30 JUNE 2020 (PAPER TAC 37/2020)

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

4. MATTERS ARISING FROM THE MINUTES (PAPER TAC 38/2020)

- 4.1 Cabinet Office Freedom of Information Code of Practice Senior Executive Pay and Benefits - 04/02/20 Para 4.3 - Publication of Directors hospitality and expenses 2019/20 was in hand - item closed.

- 4.2 Sustainability - Combined Heat and Power Unit Downtime - 30/06/20 Para 6.3 - The explanations for: (a) the increase in Greenhouse gas emissions; and (b) the unit closure not being reported to the Property Committee were accepted. It was noted in future there should be a better account in the Annual Report or accompanying paper - item closed.

NG

DG

- 4.3 Strategic Risk - 05/05/20 - Para 5.10 - The item was closed and it was agreed that the new Museum Director will review the Risk Universe, the presentation of the risks and ensure there was no duplication. The revised Risk Universe and strategic risks 1 and 6 will be brought to the Audit and Risk Committee in April 2021.

DG/NG

- 4.4 Financial Review Paper Format - 03/05/18 Para 6.7 - The new Museum Director and Executive Director of Finance and Corporate Services will bring an operating plan to trustees with a supporting quarterly report in February 2021.

5 ACTING DIRECTOR'S REPORT (PAPER TAC 39/2020)

- 5.1 The Acting Director presented his paper

- 5.2 The Covid-19 Pandemic - The Acting Director's report was written prior to the Prime Minister's announcement of a second lockdown.

- 5.3 Museum Closure/Reopening - The Museum closed efficiently on 5 November 2020. The process benefited from the lessons learned from the March 2020 closure. Although the Government had indicated the national restrictions will end on 2 December, there was uncertainty as to: (a) the exact date the Museum will be able to reopen; and (b) the coronavirus restrictions that will be operating, due to the likelihood of tiering arrangements being in place. London may move from tier 2 into tier 3 which was a combination of restrictions determined by central and local Government. Under the tier 3 restrictions in place at the time of the meeting museums were open in Liverpool but not Nottingham although Nottingham was considered to be an anomaly.

ACTION

- 5.4 The Museum planned to open on 3 December 2020. Preparation will take 5 days following a critical path of actions after being given the all-clear by Government. NHM was in communication with the Department for Digital, Culture, Media and Sport (DCMS) and the London Mayor's Office to get clarity about the national/local tiering guidelines that will apply. The Museum was also making representations to DCMS via the National Museums Directors' Council (NMDC). The Acting Director, Arts, Heritage and Tourism DCMS was supportive of the financial imperative for the Museum to reopen and not to lose income from the special exhibitions opening in December 2020.
- 5.5 On Site Activity - In line with Government and DCMS guidance a significant amount of activity was continuing on site during the second lockdown. This included: (a) construction repairs to the Palaeontology Building and fire precautions work; (b) defined Science priority activities with coronavirus secure protocols; and (c) Retail were looking at how best to provide an online service for customers.
- 5.6 Fantastic Beasts - The biggest challenge was Fantastic Beasts, due to open on 9 December 2020. The exhibition will be ready as installation was permitted under Government guidelines. NHM was not marketing tickets, which will be predominantly digital, until there was a clearer picture about a date for opening.
- 5.7 Extension of the Coronavirus Job Retention Scheme - The furlough scheme had been extended by the Government to 2 December 2020. The Government will pay 80% of wages up to a fixed amount and the Museum will pay 100% of the salaries of furloughed staff. The majority of staff furloughed will be front of house.
- 5.8 Dippy on Tour - Dippy was due to be deinstalled from Rochdale in mid-December and installed in Norwich Cathedral early January 2021. Norwich Cathedral, however, agreed to postpone installation to April to avoid holy week. The opportunity will be taken to return Dippy to South Kensington and scan Dippy for the Urban Nature Project Bronze cast. Members asked why Dippy a vulnerable specimen was not scanned at Rochdale.
- 5.9 Budget Planning - The key response while the Museum awaited the spending review was the business planning process, setting an operating plan and budget for 2021/22 and the three year business plan. This had commenced and progress will be reported to the November Board of Trustees.
- 5.10 Spending Review 2021/2022 - DCMS were a good way towards a spending review settlement with the Treasury prior to the Chancellor's statement on 25 November 2020. The spending review will be for one year for revenue and capital. Only large existing capital projects will be funded. It was unlikely that there will be any new capital for core estate investment and an announcement on continuing coronavirus support was unlikely until early 2021.
- 5.11 NHM@Harwell - The Acting Director, Arts, Heritage and Tourism DCMS had given an oral assurance 2021/2022 funding for NHM@Harwell was safe. Further funding was dependent on the normal Office of Government Commerce (OGC) Gateway Process.
- 5.12 Brexit - Brexit risks had taken a lower profile recently, though NHM had continued to monitor the risks, and engage with helpful guidance from DCMS.
- 5.13 Science Funding - There was concern over the loss of EU funding and the need to replace this with other sources of income. Strategies will be set out in the Science Business Plan led by the Executive Director of Science. UK Research and Innovation (UKRI) funding to research councils had increased significantly. However, the Museum's eligibility to access funding was not yet fully understood. The Executive Director of Science had proposed asking the Natural Environmental Research Council (NERC) to allocate a contribution for NHM conservation and storage when funding the projects of other organisations where the collections were eventually received by NHM.

NG/JD

ACTION

- NG**
- 5.14 Stolen Laptops - In late September/early October, three Museum laptops had been stolen. Most laptops were encrypted, however, one of the laptops was not. It was unlikely, however, that sensitive data had been put at risk. The incident was reported to the Information Commissioner's Office (ICO) and a response with recommendations was received. ICO planned no further action. The Acting Director agreed to discuss action with the Chief Information Officer (CIO) to minimise a recurrence e.g. further intranet communications and ensuring robust policies and procedures were implemented and adhered to.
- 6 ACTING DIRECTOR AND EXECUTIVE DIRECTOR OF FINANCE and CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL TO SEPTEMBER 2020 (PAPER TAC 40/2020)**
- 6.1 The Acting Director presented his paper which was written before the Museum closed due the second lockdown..
- 6.2 General Fund - The overall year end position was better than anticipated. A significant reduction in self-generated income had been mitigated by receipts from the coronavirus job retention scheme, additional resource grant in aid, savings from a recruitment freeze and other actions. The impact of the second lockdown was likely to be marginal due to the income from the job retention scheme and a slow-down in expenditure.
- 6.3 Capital Expenditure - Capital expenditure was increasing as construction was allowed in line with Government guidance.
- 6.4 Pay Award Provision - It was announced to staff that the Museum was facing a challenging period and it was inevitable that redundancies will have to be made. Members commended the Executive Board recommendation to trustees that there was no staff pay award or bonuses in 2020/2021.
- 6.5 Additional Resource Grant In Aid - The Museum must demonstrate to DCMS that the additional resource grant in aid was: (a) being drawn down after the core grant in aid of £40m had been exhausted; and (b) was not being drawn down in advance of need. Need was demonstrated by forecasts of expenditure, income, cash and reserves to the end of the financial year. It was noted the Museum had a low level of reserves, there were potential redundancy costs, funding was needed for the construction of the Urban Nature Project starting in 2022 and maintenance projects.
- DG/NG**
- 6.6 Accounting for Reserves - There was a discussion on how to account for reserves. It was agreed a proposal on the options will be brought to the Committee in January 2021 and then taken to the Board of Trustees.
- NG**
- 6.7 Accounting for Government Coronavirus Financial Support - Members recommended that the 2020/2021 statutory accounts should be presented so that the exceptional income from Government coronavirus financial support did not mask the significant operating loss suffered by the Museum due to Covid-19.
- 6.8 Online Retail Sales - Fulfilment of online retail sales continued during both lockdowns and online sales had increased. However, the percentage share of online sales to total retail sales was not sufficient to replace the large loss from onsite sales. It was observed the Museum needed to expand online products into other markets.
- 6.9 Online Booking - Online visitor booking had led to a significant increase in donations. There was an argument to be made for incentivising visitors to also book post covid. Booking would help with queuing and give more opportunities to ask for donations.
- 6.10 Digital Engagement - There was potential to increase levels of digital engagement and that would lead to increased commercial income.

ACTION

- 6.11 Financial Planning 2021/2022 - Financial Planning in 2021/2022 will require tough decisions on the mitigation of lost income. It was prudent to plan on the basis there would be no coronavirus financial support from Government .

7. MANAGEMENT RESPONSE AND UPDATE TO KINGSTONSMITH RECOMMENDATIONS 2019/2020 (PAPER TAC 41/2020)

- 7.1 The Acting Director presented the paper and the Committee noted the progress on the audit recommendations.

- 7.2 Retail Stock - The Museum had a new Buying and Merchandising Manager who was performing well. It was noted: (a) there were opportunities to restructure the back of house Retail team; and (b) it would be kept under review whether due to the Museum closures and reduced visitors there will be a stock write-off in 2020/21.

8. NAO AUDIT PLANNING REPORT 2020/2021

- 8.1 The Audit Manager, National Audit Office gave an update on planning for 2020/2021.
- 8.2 As the NAO were working on post-recess audits the Acting Director had agreed to the NAO bringing their planning report to the January 2021 Audit and Risk Committee. This would avoid the need to revisit the NAO plan due to lessons learned from post-recess audits. The plan will focus on similar areas to previous years and Covid-19 disclosures.
- 8.3 Statutory Accounts - The 2019/2020 statutory accounts were laid before Parliament on 20 July, the last day for laying pre-recess. The Acting Director thanked the NAO for their support. Only three DCMS museums had achieved pre-recess.
- 8.4 Going Concern Assessment - The NHM was able to provide the comprehensive financial information needed by the NAO for their going concern assessment pre-recess despite the Finance team working remotely. Other museums and galleries were unable to do this and, therefore, opted to lay their accounts post-recess.

NG

- 8.5 The Committee agreed to a discussion on going concern assessment at the January 2021 Audit and Risk Committee. The Museum may then have a clearer understanding of: (a) the Government coronavirus support package going forward; and (b) the challenges in relation to revenue generation. It will be helpful to the NAO to have early information on the disclosures in the accounts.
- 8.6 NAO Fees - Museums and galleries paid additional fees for NAO audit work on the going concern assessment. This applied to those laying accounts pre-recess and post-recess, however, the fees were lower for those going pre-recess.

9. HEAD OF RISK AND ASSURANCE PROGRESS REPORT PAPER TAC 42/2020)

- 9.1 The Head of Risk and Assurance presented her paper and her reports on Collections Assurance and Cyber Security - Home Working.
- 9.2 Audit Opinion 2020/2021 - Institute of Internal Audit advice on the impact of coronavirus on the Head of Audit's annual opinion was if the Audit Committee agreed the changed audit plan, the opinion need not be limited. There was always a statement in the Head of Risk and Assurance's annual opinion on changes to the audit plan. Members agreed the statement should make it very clear the postponement of audits could not be avoided and was due to the exceptional circumstances of coronavirus.

JD

ACTION

- 9.3 Risk and Assurance Annual Plan 2020/2021 - Members approved the changes to the annual plan. It was noted a number of the postponed audits related to recurring audits or were in areas where there was little activity due to current restrictions. There had been a good output of reports despite the challenging circumstances.
- 9.4 Freedom of Information (FOI) Appeals Procedure - The Head of Risk and Assurance reviewed the decision of the Museum to withhold information requested by a journalist under the Freedom of Information Act 2000 - Prejudice to the effective conduct of public affairs (Section 36). The journalist can now seek an independent review from the Information Commissioner.
- 9.5 Collections Assurance - Members took comfort from the report and noted that teams working together had improved and empowered staff decision making.
- 9.6 Overseas Touring and Exhibition Loans - The Acting Director had met with the Head of Registry and was assured there were appropriate levels of care and security for overseas touring exhibitions. Extinction was successfully deinstalled from Toulouse by use of a "live stream" and local expertise. A similar process was planned for Ancient Oceans in Bahrain though there was some concern at the local museum with this approach. A remote install of Treasures in Melbourne was not feasible due to the vulnerability, importance and value of the objects and a discussion about a revised start date was taking place.
- 9.7 The Cyber Security - Home Working - The report set out the security measures in place in relation to Office 365 and the outlook email system e.g. Multi Factor Authentication (MFA). VPN was only required to access systems which require a high level of security e.g. the HR, Finance, Collection Management and Customer Relationship Management systems. Members cautioned that Office 365, outlook email and the emailing of documents was not secure. VPN was the preferred security tool which staff should use. Members requested further assurance was provided by the Chief Information Officer (CIO).

AD/JD

10. MUSEUM ACTIVATION PROGRAMME (MAP) COVID-19 LESSONS LEARNED AND PLANNING FOR A SECOND WAVE (PAPER TAC43 /2020)

- 10.1 The Programme Director who was engaged by the Museum Reactivation Programme (MAP) to undertake planning and programme management presented his paper.
- 10.2 Lessons Learned Owner - It was observed departments were listed as owners rather than individuals which can lead to actions being overlooked.
- 10.3 Contingency Planning - Pandemics - A member observed the failure to include pandemics on the risk register was not the key risk. The risk was an event that caused the Museum to close or a catastrophic loss of income. Members agreed at their May meeting it was not possible for the Museum to have foreseen Covid-19. The 'risk universe' included risks in relation to for example commercial income, information technology, security and crisis management which were managed to ensure the Museum had agile teams and resilient systems in place.
- 10.4 Museum Cooperation - Operational procedures and planning for closure/reopening were discussed with other museums via for example: (a) the National Museum Directors' Council (NMDC); (b) the South Kensington Business Resilience Forum (SKBRF) chaired by the Museum's Head of Security; and (c) Head of Commercial Development contacts.

ACTION

- EB**
- 10.5 Cultural Learning - The Executive Board should ensure key lessons involving new ways of working, collaborating and quicker decisions were embedded and not lost in the detail of the large number of lessons learned that had been identified. It was noted a list of key lessons learned was discussed at a recent MAP meeting to ensure they were addressed. The Executive Board (EB) made the decision to close the Museum in March and moved directly to business continuity. Crisis management and business continuity operated by "command and control" and working for a common purpose. Therefore, the new ways of working may not translate easily into business as usual. The Museum had a workforce of knowledgeable front of house/back of house staff and was able to move to remote working seamlessly.
- 10.6 Members and those in attendance commended the Programme Director on the paper.
- 11. PRESENTATION BY ON THE MAJOR CORPORATE RISK G2 " WE DO NOT GIVE NHM STAFF APPROPRIATE TIME, OPPORTUNITIES FOR INVOLVEMENT, AND INCENTIVES TO ENABLE THEM TO SUPPORT THE DEVELOPMENT OF AN ADDITIONAL SITE LEADING TO RESISTANCE TO THE COLLECTIONS PROGRAMME" (PAPER TAC 44/2020)**
- 11.1 The Change Management Advisor made a presentation on the management of the risk.
- 11.2 Undertaking organisational change of the magnitude of NHM@Harwell carried a significant degree of risk including resistance to the change by NHM colleagues. This would threaten the successful delivery of NHM@Harwell. High failure rates were regularly reported for organisational change projects throughout all types of organisation.
- 11.3 Key Mitigations - Most of the mitigations of the risk can be managed and resourced by NHM@Harwell. However, the four key mitigations set out in the paper needed to be the responsibility of the Executive Board.
- 11.4 NHM@Harwell Governance - There was a proposal to create two subgroups of the Property Committee which had been discussed with the Chair of the Board. One subgroup will include DCMS representation and oversee Harwell and Wandsworth and the other the Museum estate.
- 11.5 Planning - It was observed that it was important for planning that: (a) the Museum decided which parts of the collections/functional groups will be moved to Harwell. Until this was decided NHM would not know what type of building or how much land was required; and (b) the Executive Board fully supported the mitigation actions.
- 11.6 Information Dissemination - The dissemination of information was most effective when it came from senior managers as middle/line managers did not always have the necessary skills. However, it was agreed middle/line managers were key to understanding and overcoming staff resistant to the deep cultural change of a move from South Kensington.
- 11.7 Scenarios Recommend Group - The Scenarios Recommend Group had Museum-wide membership. Positivity about Harwell within the group was improving rapidly and members of the group were communicating with the wider museum. As a result, it had been agreed that the likelihood of the risk materialising should be reduced. The challenge for the programme was to capture that pace of positive change in the wider Museum. The Museum needed to be careful, however, as positivity could reduce, for example, due to the uncertain external environment, redundancies or when a decision was made on which functional groups were moving.
- 11.8 Communications Strategy - It was observed that online communication due to Covid-19 was not as effective as face to face communication for developing trust in the messaging. NHM@Harwell messaging should include: (a) it is the largest and most impactful change for NHM in the last 150 years; (b) the project embraced the vision of a complete reconfiguration of South Kensington; (c) ensures the future of the museum and (d) is fully supported by Government. Key to communications strategy was repetition.

ACTION

- EB**
- 11.9 Resourcing NHM@Harwell - It was requested that the Executive Board put in place an embedded process to ensure when projects/activities are taken to the Board of Trustees for approval the trustees fully understand the consequences for the resourcing of NHM@Harwell.
- 11.10 Brookfield Asset Management - It was noted that one of the world's largest property groups Brookfield Asset Management had acquired the private sector shareholding in the Harwell Campus joint venture which manages the campus.
- 11.11 NHM@Harwell Operating Costs - The programme team had put forward another strategic red risk for 2020/2021 in relation to increased operating costs. However, the risk was not scored sufficiently high by the Executive Board to make the list of strategic risks which are monitored by the Audit and Risk Committee.
- HN**
- 11.12 Members agreed the Audit and Risk Committee Chair would report on the discussion to the Board of Trustees. Members commended the paper and fully supported the four key mitigating actions which will be recommended to the Board of Trustees.

12. FUTURE AGENDA ITEMS

- 12.1 Future agenda items will be discussed by the Audit and Risk Committee Chair and Acting Director at their next meeting.

13. ANY OTHER BUSINESS

- 13.1 There was no other business

14. DATE OF THE NEXT MEETING

- 14.1 The next meeting will be held at 10.00 a.m. on 26 January 2021

KEY TO ACTION INITIALS

Alison Davis	- AD
Jan Day	- JD
Douglas Gurr	- DG
Neil Greenwood	- NG
Hilary Newiss	- HN
EB	- Executive Board