

Natural History Museum Annual Report and Accounts 2017-2018

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Presented to Parliament pursuant to Section 9(8) of the Museums and Galleries Act 1992

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The Trustees' Annual Report

Reference and administrative details

The Natural History Museum is a non-departmental public body, sponsored by the Department for Digital, Culture, Media and Sport (DCMS), and is an exempt charity as listed in Part 3 of the Charities Act 2011.

Principal Address The Natural History Museum, Cromwell Road, London, SW7 5BD.

Board Members The Board of Trustees comprises the following:

	Appointment period	Appointed by
The Lord Green of Hurstpierpoint (Chair)	To 31 March 2022	Prime Minister
Professor Sir John Beddington CMG FRS	To 31 March 2021	Co-opted
Dame Frances Cairncross DBE FRSE	To 31 March 2020	Co-opted
Professor Christopher Gilligan CBE	To 18 May 2019	Prime Minister
Professor Sir John Holman KBE	To 18 September 2019	Prime Minister
Anand Mahindra	To 31 December 2018	Co-opted
Hilary Newiss	To 4 January 2019	Prime Minister
Robert Noel	To 24 April 2020	Prime Minister
Simon Patterson	To 4 January 2019	Prime Minister
Professor Sir Stephen Sparks CBE FRS	To 31 December 2018	Royal Society
Professor Dame Janet Thornton DBE FRS	To 30 March 2020	Prime Minister
Dr Kim Winser OBE	To 17 February 2021	Prime Minister

The Lord Green of Hurstpierpoint was reappointed during the year for a further four years to 31 March 2022.

The Trustees' register of interests is available at <http://www.nhm.ac.uk/about-us/governance.html>

Museum Director and Accounting Officer

Sir Michael Dixon

Bankers

National Westminster Bank plc, 186 Brompton Road, London, SW3 1HQ.

Auditors

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD (for subsidiary accounts)

Solicitors

Farrer & Co., 66 Lincoln's Inn Fields, London, WC2A 3LH

Accounts Preparation

The annual report and accounts have been prepared in accordance with the accounting policies set out in note 1. They comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Digital, Culture, Media and Sport, with the approval of HM Treasury.

Structure, governance and management

Status	The Trustees of The Natural History Museum were established as a body corporate under the British Museum Act 1963, when the Museum was formally separated from the British Museum, of which it had been a part since the British Museum's establishment in 1753. The Museum is also an exempt charity as listed in Part 3 of the Charities Act 2011.												
Statutory duties	Under Section 3 of the British Museum Act 1963, the Museum is responsible for keeping its collections and making them available for inspection by the public.												
The Board of Trustees	<p>The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Digital, Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister are appointed by open competition.</p> <p>Further details of Trustees who served during 2017-18 are included in the Governance Statement.</p>												
Organisational structure	<p>During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.</p> <p>The Executive Board reflects the functional operation of the Museum and consists of:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Director of the Museum</td> <td>Sir Michael Dixon</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>Neil Greenwood</td> </tr> <tr> <td>Director of Development and Communications</td> <td>Fiona McWilliams</td> </tr> <tr> <td>Director of Science</td> <td>Professor Ian Owens</td> </tr> <tr> <td>Director of Engagement</td> <td>Clare Matterson CBE (from March 2018)</td> </tr> <tr> <td></td> <td>Dr Justin Morris (until July 2017)</td> </tr> </table> <p>The Natural History Museum has three wholly-owned subsidiaries.</p> <p>The Natural History Museum Trading Company Ltd is a limited company and its directors are The Lord Green of Hurstpierpoint, Sir Michael Dixon and Neil Greenwood.</p> <p>The Natural History Museum Special Funds Trust and The Natural History Museum Benevolent Fund are entities administered by the Natural History Museum and governed by the Natural History Museum's Board of Trustees.</p>	Director of the Museum	Sir Michael Dixon	Director of Finance and Corporate Services	Neil Greenwood	Director of Development and Communications	Fiona McWilliams	Director of Science	Professor Ian Owens	Director of Engagement	Clare Matterson CBE (from March 2018)		Dr Justin Morris (until July 2017)
Director of the Museum	Sir Michael Dixon												
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Director of Science	Professor Ian Owens												
Director of Engagement	Clare Matterson CBE (from March 2018)												
	Dr Justin Morris (until July 2017)												
Staff and organisation	<p>The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.</p> <p>Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.</p> <p>The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.</p> <p>During the year the Museum employed 898 staff (average full time equivalents) (2017: 928), of which 642 (2017: 631) were on permanent contracts.</p> <p>The average days' sickness per year for permanent and fixed term contract staff was 4.5 days per full time equivalent (2017: 4.2).</p>												

Pension benefits are predominantly provided through the Principal Civil Service Pension Scheme (see note 7 to the accounts). As of 1 April 2017, new employees are auto-enrolled into the NHM Pension Scheme which is a defined contribution scheme provided by Aviva (formerly Friends Life).

A volunteer force of c500 people assisted the Museum during 2017-18.

The split of permanent and fixed term staff (excluding agency staff) by gender at 31 March 2018 was:

	Female	Male
Directors	2	3
Other employees	468	382

Seven self-employed individuals (2017: five for more than £220 per day) were engaged off-payroll during the year for more than £245 per day in arrangements spanning more than six months.

Engagements related to training courses, entertainment shows and storage consultations on an intermittent basis meaning it was not appropriate to administer these individuals through payroll. The Museum conducted risk based assessments and assurances that these individuals were meeting their Income Tax and National Insurance obligations.

No costs were incurred during the year (2017: none) on consultancy deemed to be of a strategic nature.

Five individual staff members (FTE: five) were relevant union officials during 2017-18. Working hours spent on facility time fell within the 1-50% band for all individuals and no hours were spent on paid trade union activities. The amount paid in respect of facility time to employees who were relevant union officials equated to 0.03% of the total pay bill.

Openness and accountability

The Museum is committed to openness and facilitating easy access to all types of recorded information about its collections, services and corporate activities. In particular the Museum has a Publication scheme, in accordance with schedule 19 of the Freedom of Information Act 2000, which lists the information made available on a proactive basis.

The Publication scheme is only part of the provision for access to information available under the Act. Any information which is not covered by an exemption will be made available on request.

The minutes of Board meetings and the register of Board members' interests are open to inspection by the public.

The Museum operates and regularly publicises a whistleblowing service for staff. There were no calls to the service during 2017-18.

Relationship with DCMS

As a non-departmental public body the Museum is sponsored by DCMS. This relationship is formalised via the Funding Agreement and a Management Agreement.

The Secretary of State for Digital, Culture, Media and Sport acts as the principal regulator for the Museum as an exempt charity.

Group entities

The Museum's accounts are a consolidation of the following:

- The Natural History Museum;
- The Natural History Museum Trading Company Ltd.;
- The Natural History Museum Special Funds Trust; and
- The Natural History Museum Benevolent Fund.

Objectives and Activities

Mission	The Natural History Museum's purpose is to inspire a love of our natural world and unlock answers to the big issues facing humanity and the planet.
Objectives	<p>The Natural History Museum is one of the world's great institutions and is the guardian of the national collection of more than 80 million cultural and scientific natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, Museum scientists actively work with the collections, and by opening up access and participation for all, make it possible to address some of the big issues and challenges facing humanity and the planet:</p> <ul style="list-style-type: none"> ● The origins of our planet and life on it, and the impact of change ● The diversity of life and the delicate balance of ecosystems that ensure the survival of our planet ● The security of our food supply, the eradication of disease and the management of mineral and ore scarcity <p>One of the country's leading visitor attractions, the Museum is also dedicated to making natural history as accessible as possible to a wide range of people in this country and worldwide. It does so by means of its special exhibitions, publications, and its teaching and outreach programmes, including via the web. It supports all of these activities with high quality staff, services and facilities.</p> <p>In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring, Hertfordshire, which houses the collections bequeathed by Lionel Walter Rothschild and is also home to the world-class collections of the Natural History Museum's Bird Group.</p> <p>The Museum launched a <i>Strategy to 2020</i> in January 2015 which set out an ambition to redefine the Museum and its impact on society, and strategic priorities for the next five years, organised to reflect our commitment to extending our impact – digitally, nationally, internationally, and in London:</p>
London	We will build on our position as one of the world's great public museums in a truly global city to enhance the experience of our visitors through a series of major capital developments to improve the grounds, the Hintze Hall, galleries and learning centre.
National	We will create national networks to support citizen science in schools, engage society with UK biodiversity through citizen science and open up the UK's natural history collections by sharing skills and facilities.
International	We will develop our global relationships to create new commercial opportunities, build capacity among our partners, and tackle major scientific challenges, such as biodiversity loss, the spread of diseases and the supply of scarce minerals.
Digital	<p>We will use technology to deepen engagement with the collection, including mass digitisation of specimens, engaging virtual communities worldwide and creating innovative digital platforms.</p> <p>The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction of the Museum.</p>
Achievements and activities during 2017-2018	The Museum's financial model remains under stress and 2017-18 has been a particularly challenging year. Despite this an operating surplus of £4.6m before depreciation was achieved, though this is insufficient to allow any significant

investment in the future of the Museum. Therefore capital expenditure for the public galleries, core infrastructure, estate maintenance and digital technologies continues to be largely supported by the use of reserves. In spite of the challenges, the Museum's outputs, delivered by the dedicated and first class staff, remained high and impressive. Highlights for 2017-18 included:

London

The Natural History Museum in South Kensington welcomed 4.561m visitors, during a year which accommodated the challenge of the planned closure of the Hintze Hall and the front entrance for significant periods. This represents a 2% increase compared with 2016-17.

The reimagining of Hintze Hall

The reimagining of Hintze Hall has been an extensive programme of works over a number of years with new displays being installed across all three floors. Hintze Hall now showcases more of our collection and tells the story of how and why the Museum was founded.

Taking centre stage in the iconic Hintze Hall is Hope, a 25.2-metre-long blue whale skeleton plunging down from the ceiling, allowing visitors the opportunity to walk underneath the largest animal ever to have lived. We chose Hope as the focal point for the hall to highlight the hopeful story blue whales tell about humanity's relationship with the natural world, as the first species we acted on a global scale to protect.

The spectacular new hall was officially opened in July 2017 by our Patron, HRH, The Duchess of Cambridge, with Sir David Attenborough in attendance.

Transforming the gardens

The Museum is continuing the transformation of its five-acre site with a bold and imaginative redesign of the gardens. This biologically diverse, accessible and welcoming green space in the heart of London will inspire people to connect with urban nature and care about the natural world. The designs will improve the visitor experience and increase opportunities for vital new research and the conservation for urban wildlife in London, and facilitate partnerships across the UK. The first phase of the redesign was completed in January 2018 and saw major changes to the Museum's main entrance. The carriage ramps now enable step-free access through the front doors for the first time in the Museum's history.

Inspiring exhibitions

During the last year we have put on another varied and exciting programme of exhibitions. Tailored to family and adult audiences and featuring stunning set works, these innovatively designed exhibitions told amazing stories from the natural world. To coincide with the unveiling of Hope in Hintze Hall we opened *Whales: Beneath the Surface*, which told the evolutionary story of how whales adapted from a life on land to become giants of the ocean, and which was visited by more than 100,000 people.

Our *Venom: Killer and Cure* exhibition, opened in November 2017, was widely praised by visitors, the media and peer institutions for its take on the deadly world of venom and its exploration of how humans have harnessed the power of anti-venom to save lives and for other medical uses.

Wildlife Photographer of the Year returned for its 53rd year, with Brent Stirton's winning image *Memorial to a Species* which captured a black rhino moments after being shot and butchered by poachers for its horn. This poignant portrait of the impact of the ivory trade offered a sombre and challenging counterpart to the story of Hope, our blue whale. Like the critically endangered black rhinoceros, blue whales were once hunted to the brink of extinction, but humanity acted on a global scale to protect them.

Our popular regular offer *Sensational Butterflies* also returned, offering visitors the chance to see beautiful tropical butterflies up close and to learn about their fascinating life cycles.

National

The Natural History Museum at Tring

Last year the Museum at Tring welcomed more than 150,000 visitors – an increase of 10 per cent compared to the previous year. In the last year the Museum delivered a programme of temporary family exhibitions that proved immensely popular with visitors.

Opening in February 2017, *Dodos: Old Bird, New Tricks* explored how scientists searched for the truth behind the legend, with a single marsh on a tropical island becoming the key to our understanding of this mysterious bird. It not only proved a hit with visitors but was shortlisted for a prestigious Museums + Heritage Award, which celebrates best practice within the cultural sector.

More recently we developed and opened an innovative new exhibition called *What's in the Woods?* which we staged across both our indoor gallery space and the woods in the Museum's grounds. Designed to be a dynamic exhibition, the content changes with the seasons, with new specimens revealed in the gallery each month to reflect the seasonal changes happening in the natural world outside.

Schools programme

The Museum's schools programme engages children from across the UK with the natural world and encourages an interest in science through national curriculum-linked workshops, interactive science shows and self-led tours around our spectacular galleries. Over the last year the Museum welcomed 210,000 school children from across the UK.

Dippy on Tour

The Museum's iconic *Diplodocus* cast, previously never seen outside of his South Kensington home, is travelling the length and breadth of the UK over three years, visiting Scotland, Wales, Northern Ireland and five regions across England.

Dippy on Tour has been brought about in partnership with the Garfield Weston Foundation and supported by Dell EMC and Williams and Hill. Led by the Museum, this three-year tour has entailed close collaboration with a wide range of institutions and organisations across the UK and aims to introduce 1.5 million people to this awe-inspiring exhibit.

The tour launched at Dorset County Museum in February 2018 where Dippy proved an immensely popular draw. More than 150,000 people visited over Dippy's three months at the venue; three times their usual annual visitor numbers.

For each of the partner venues, hosting Dippy is a chance not only to showcase their local nature and natural history collections but to forge new partnerships between regional cultural, scientific and wildlife organisations in a bid to reconnect the nation with nature. Dorset County Museum and the Jurassic Coast Trust worked together to host Dippy in Dorset. They worked in partnership with other local organisations to help more than 25,000 people get outdoors and enjoy their own Dippy-themed natural history adventures across the region.

Digital volunteers help decode why birds are so colourful

Project Plumage is a citizen science project run in collaboration with the University of Sheffield, which is helping Museum scientists to gain a more detailed understanding of how colour diversity in birds has evolved. It is the most ambitious study of animal colouration ever undertaken and is calling on citizen scientists to help create the most comprehensive data set of bird plumage ever attempted.

The project is using the Museum's extensive collection of bird skins, which is the second largest of its kind in the world, with almost 750,000 specimens representing about 95 per cent of bird species. A dedicated team at the Museum is photographing these bird specimens using special colour and UV filters. These photos are then uploaded to the *Project Plumage* website where digital volunteers look at them and map the colour on the different parts of the bird's body.

This information will be used by researchers to learn why birds are so colourful. The data collected will be added to the Museum's open access data portal, which means volunteers will not only be contributing to research on bird evolution but helping to build the digital legacy of the Museum's collection.

Inspiring the next generation of scientists

In 2017 we launched *Generate: Scientists of the Future*, a new three-year educational initiative run in collaboration with renewable energy company Ørsted, sponsor of the *Wildlife Photographer of the Year* exhibition. The programme explores how being involved in science in informal settings can inspire young people to want to study or pursue careers in science, technology, engineering or mathematics.

The partnership will see the Museum and Ørsted work with seven schools across London to raise awareness of the diversity of science-related careers and to emphasise the role that science plays in everyday life.

Specialist science training

As a leading international scientific research centre, the Museum has a unique opportunity to educate scientists of the future. Museum staff deliver a range of specialist training for scientists from Masters courses, PhD training and research-council funded training.

PhD training is carried out in collaboration with our university partners who provide the degree accreditation. Over the last year, the Museum has co-supervised over 100 PhD students from around the world.

In collaboration with University College London, Museum staff tutor and provide practical project supervision for the Master of Research course in Biodiversity, Evolution and Conservation. Working in partnership with Imperial College, London, Museum staff tutored and provided practical project supervision for Master of Science in Taxonomy, Biodiversity and Evolution and Master of Research in Biosystematics.

The Museum also plays a pivotal role in the provision of Research Council-funded training, working with the Natural Environmental Research Council on Advanced Training Short Courses and helping deliver the Biotechnology and Biological Sciences Research Council's Strategic Training Awards for Research Skills programme.

International

A truly global museum

The challenges faced by the natural world are global and we work with partners across the world to address them. More than 60 per cent of our visitors are from overseas, but our international reach extends well beyond this. The Museum's touring exhibitions reached a further four million visitors in 16 countries over the last year, creating opportunities for people all over the world to encounter the beauty and diversity of the natural world past and present, and we are collaborating with research partners in more than 70 countries.

Wildlife Photographer of the Year

Wildlife Photographer of the Year is the largest and most prestigious wildlife photography competition in the world. The latest winning photographs are

premiered each year at South Kensington before the spectacular images tour galleries and museums across the world. Over the last year, the exhibition which is sponsored by renewable energy company Ørsted, was shown at 34 venues in 14 countries, attracting 1.1 million visitors. The well-established touring programme not only adds to the global profile of the competition but also generates vital revenue for the Museum.

Treasures of the Natural World

The Museum is part way through a three-year tour of *Treasures of the Natural World*, one of our most ambitious international touring exhibitions yet. The grand display features more than 200 of the Museum's most spectacular artefacts, specimens and artworks which were selected for their cultural and scientific importance, colourful stories and the historical events they represent.

The exhibition attracted more than 327,000 visitors in three months at the tour's first venue The National Museum of Nature and Science in Tokyo. The opening week exceeded the venue's expectations and set new attendance records with 6,000 visitors per day and queues of up to two hours at peak times.

In November 2017, *Treasures of the Natural World* moved to the ArtScience Museum in Singapore where it was seen by more than 92,000 visitors during its four-month run.

Protecting our oceans

The Museum continued to participate in the SponGES consortium which brings together 18 research institutions as well as government and non-government environmental agencies in Europe and North America. Its aim is to better understand the ecosystem role of sponges in the deep sea in order to aid their conservation and investigate the potential benefits they might provide to human health and technological progress. Funded by Horizon 2020, the EU Research and Innovation programme, it is part of the Blue Growth Call which supports science that underpins renewable and sustainable use of natural resources in marine systems.

Digital

A global natural history resource

The Museum's digital strategy aims to publish data to benefit the global scientific community and to engage people from across the world with our collections and science through our digital platforms.

Social media platforms remain an important way for people to enjoy our content. On average, we have over half a million engagements each month. We estimate that we reach more people on social media in a month than visit the Museum in a whole year. Our following continues to grow, including more than 2.3 million followers now on Twitter alone. Innovative video formats including #NHM_Live allow these audiences to communicate directly with our scientists.

Sharing specimens with researchers worldwide

In order to support scientific endeavour we are making digitised specimen data freely available online for use by scientists around the globe. By the end of March 2018, we had released more than 3.9 million specimen records and more than 8 billion items of scientific data have been downloaded to date – though this only represents around five per cent of the Museum's entire collection.

Digitisation of species from megadiverse Malaysia

In Autumn 2017, we began a new project in collaboration with the Ecotourism and Conservation Society Malaysia, to digitise at least 5,000 species from the Museum's collections that occur in Malaysia and the surrounding region. Malaysia is a megadiverse country, exhibiting great biodiversity and hosting a high number

of endemic species. This project is focused on insects from damselflies and dragonflies to praying mantids, grasshoppers, locusts, crickets, stick insects and beetles.

Engaging science fans online

The Discover section on the Museum's website allows people to delve into stories about the Museum's collections, scientists and research and acts as a major online resource for news and information on natural history. In 2017 Discover was structured into hubs for the first time, with content grouped together by topics highlighting the Museum's subjects of scientific excellence. The first hub, *Oceans*, launched to coincide with the reopening of Hintze Hall.

Our *Human Evolutions* hub was launched to coincide with the publication of new research about Cheddar Man. Our content supporting the Cheddar Man story received more than 60,000 unique page views with the average time spent on page more than four minutes – demonstrating that the content not only had wide appeal but also deep engagement.

Celebrating women in science

In March 2018 the digital content team celebrated Women's History Month with a series of features marking the achievements of women at the Museum, past and present. Over the course of March, the package of content reached tens of thousands of people and garnered an overwhelmingly positive response across our platforms.

Sir David Attenborough stars in a new virtual reality experience

Hold the World, a new virtual reality experience, commissioned by the Sky VR Studio and involving the Museum's digital team was launched in March 2018. Offering the unique opportunity of a one-on-one audience with the world's foremost natural history broadcaster, Sir David Attenborough, within the Museum, viewers can handle and learn about rare specimens in the collection. Sir David's hologram acts as a private guide, giving expert insights into artefacts and objects from the Museum's collection, from the blue whale, *Stegosaurus*, and pterosaur to a trilobite and a dragonfly.

Scientific Impact

A world leading research centre

The Museum is home to more than 350 scientists who use its collection of more than 80 million specimens for pioneering research across a wide range of scientific fields. We are embracing the latest developments in digital and genomic technologies in order to unlock data from our collection and continue to advance global understanding of the natural world. Our research is tackling some of the big issues facing humanity and the planet, such as food security, resource scarcity and diseases such as schistosomiasis, which affects more than 200 million people worldwide each year.

Caring for our 80 million specimens

Preserving the Museum's extensive collection of 80 million specimens is a major challenge. Housing parts of the collection in sub-standard conditions creates critical risks and there are increasing incidents of collections damage. The Museum has begun an urgent, major Collections Programme to develop plans for modern, fit for purpose collections storage which will not only safeguard the collections for future generations, but unlock their immense value for scientific research and discovery.

Natural history drawings

During 2017 and 2018 the Museum received five volumes of natural history drawings from the Earl of Derby's collection donated through the Acceptance in Lieu Scheme. These beautiful volumes, all of which are of historic and artistic

significance, enhance our holdings and complement works already held. The acquisition strengthens the position of the Museum as being a centre of excellence for the study and research of natural history art. Details are included in the heritage assets note (note 10).

New lunar specimen

In December 2017 we purchased a new piece of lunar meteorite that will help Museum scientists to conduct research into the origins and early evolution of the Moon. This rarely discovered acquisition comes at an exciting time for lunar research, as international space agencies plan a new generation of missions to the Moon. The Moon could make an excellent staging post for further exploration of our solar system, either as a human base or as a fuelling station. Researchers are using the meteorite to study the minerals contained within it. This will enable them to learn more about the composition of the Moon and assess the abundance of water it contains.

Human evolution

The Museum is developing a series of Centres of Excellence that will bring together a critical mass of researchers, collections and state-of-the-art equipment in subject areas of international importance. Building on our unrivalled collections, scientific expertise and facilities, these Centres will help us to share pioneering research with everyone from school children to leading academics.

In January 2018 we launched our first Centre of Excellence, the Centre for Human Evolution Research (CHER). The Calleva Foundation has supported many outstanding research projects over several years. A new generous donation from the Foundation, setting up a permanent endowment, has enabled the creation of a senior research position. Human Evolution expert Professor Fred Spoor joined the Museum in January 2018 as Calleva Research Leader. His arrival expanded CHER's multidisciplinary team of Human Evolution and Ancient DNA experts and broadened its research scope by covering earlier parts of evolutionary history.

Cheddar Man

In February 2018, pioneering research by the Museum's Human Evolution and Ancient DNA specialists revealed the surprising genetic makeup of the modern human skeleton from Gough's Cave, known as Cheddar Man. Cheddar Man lived around 10,000 years ago and is the oldest almost-complete skeleton of our species ever found in Britain.

The research, carried out in collaboration with University College London scientists and with the expertise of the world's foremost prehistoric model makers, revealed - with unprecedented accuracy - the striking and surprising face of Cheddar Man. It was previously assumed that Europeans developed paler skin many thousands of years before Cheddar Man, so he was thought to have had reduced skin pigmentation and fair hair. The results, however, indicate that whilst Cheddar Man had blue eyes, he also had dark-coloured, curly hair and dark to black skin pigmentation. This means that the lighter pigmentation now considered to be a defining feature of northern Europe, is a far more recent phenomenon.

The discoveries about Cheddar Man's striking appearance made headlines around the world and images of his facial reconstruction graced the front pages of five national newspapers in the UK. The research was documented in a primetime Channel 4 specialist factual film, *First Brit: Secrets of the 10,000 Year Old Man*.

Young people and citizen science

The Science Learning+ initiative is a partnership between Wellcome Trust, the US National Science Foundation and the UK Economic and Social Research Council that aims to understand the power of informal learning experience inside and outside of school.

The Museum has more than 20 years of experience in citizen science and runs a very active and varied citizen science programme. As a result of our work within this field, in 2017 we received a grant from the Science Learning+ initiative to run a four-year study on the impact participating in citizen science has on young people. The results of this analysis will feed into the development of best practice principles.

Powering developments in green energy

Funded by the UK Research and Innovation Council, the Cobalt: Geology, Geomicrobiology and Geometallurgy (CoG3) project brings together seven industry partners and eight universities with the Museum.

Led by the Museum's Head of Earth Sciences, Professor Richard Herrington, the consortium's aim is to increase within Europe the UK's exploration, mining and recovery of cobalt, a metal of great strategic and economic importance.

Cobalt is classified as an E-tech element by the National Environmental Research Council (NERC) which means it is considered essential for a technologically advanced, low-carbon society. Increasingly, cobalt is used in lightweight rechargeable batteries that power portable technologies and electric vehicles. Around 100,000 tonnes of cobalt are produced globally each year. Less than 0.1% of this is produced within Europe, yet European countries use around 30% of globally produced cobalt.

CoG3 is aiming to address some of cobalt's recovery and extraction difficulties. Researchers are looking at innovative energy-efficient bio-extraction technologies, sampling naturally cobalt-rich environments to find new bacteria strains that may be capable of mineral processing.

Tackling neglected tropical diseases

Schistosomiasis, also known as snail fever and Bilharzia, is a disease caused by parasitic flatworms called schistosomes which is estimated to affect around 200 million people in over 70 countries of the developing world.

Despite being a treatable and preventable disease schistosomiasis continues to have a devastating impact across the world. Sporadic control programmes and changing environmental pressures arising from human activities and climate change interfere with successful disease control.

The Museum has previously received funding from the Wellcome Trust to help understand and monitor this developing picture by building a global repository of schistosomes and snail vectors and associated contextual data.

In 2017, the Wellcome Trust provided further funding for a project to research the impact of treatment programmes on the population genetics of *Schistosoma* species, and on the infection rate of the snail intermediate hosts.

Working with international partners, we are undertaking fieldwork in areas of Niger, Tanzania and Zanzibar where the disease is endemic. The project is assessing the impact of different treatment strategies on the schistosome parasite population, identifying a strategy that is most effective at reducing parasite numbers.

DeWorm3, a programme funded by the Bill and Melinda Gates Foundation, has seen particular advancements in research delivery and activities at the country level. Achievements have included approximately 150,000 participants being screened for Soil Transmitted Helminth in each of the three target countries, India, Malawi and Benin; the equipping of site laboratories capable of completing diagnostic analysis of disease burden of 450,000 samples across the project portfolio; community censuses of target populations in circa 90,000 households; and recruitment and training for over a hundred enumerators, lab technicians and project staff. Other investments have included epidemiological modelling

activities with Imperial College London; economic analysis with Swiss TPH; and implementation science analysis with the University of Washington.

Counting every plant in the Amazon rainforest

Thanks to painstaking work by an international team of scientists and the Museum's extensive botanical collection, we have, for the first time, a clear baseline figure for the number of plant species in the Amazon. Establishing this baseline figure is crucial for conservation and for future studies of the evolution and ecology of these extraordinary rainforests.

The team, which brought together experts in identification and classification, included the Museum's merit researcher and Head of the Algae, Fungi and Plants Division, Dr Sandra Knapp. Data from the Museum's collection and botanical collections in museums and herbariums around the globe was rigorously cross-checked. They found that 14,003 seed plants, which include flowering plants and the palm-like cycads, have been recorded as growing in the forests.

The scientists discovered that fewer than half of the plant species are trees, a number lower than suggested in previously published work. However, herbs, shrubs and epiphytes - plants that grow on other plants - were found to be more diverse than anticipated, showing they have often been overlooked in studies of tropical diversity. The list of plants will be published and made freely available for others to use in their studies of the Amazon.

Visiting Group Science Review

In August 2017 an independent Visiting Group, chaired by Dr Cristián Samper, former Director of the Smithsonian National Museum of Natural History, carried out a review of the Museum's scientific activities. The Group concluded that progress in many areas has been significant and impressive in the last few years, and that the Museum's research is of good-to-excellent standard that is at least competitive with leading UK research universities, with top research institutes in the UK, and with a small leading group of international natural history museums. It also noted that safeguarding the collections must be a top priority and that this will require substantial capital funding over the next decade. Also, despite imaginative and innovative leadership, the Museum is falling behind other top international museums in the extent of digitization of its collections, and that this should be accelerated by securing additional funds, deploying new technologies for capturing information, and expanding public involvement.

Raising Revenue

Whilst the Museum continues to depend on Government Grant-in-Aid for the majority of its funding, self-generated income remains a key strategic priority.

The closing of Hintze Hall for refurbishment and introduction of step-free access to the main entrance led to major disruption for onsite teams dedicated to generating visitor-related income for several months last year. Despite these significant challenges, there have been a number of notable commercial successes.

The growth in our membership scheme was exceptional in 2017-2018. At the end of the year, the Museum had over 16,000 memberships; 38% more than the previous year. In addition there has been significant growth in onsite donations, now exceeding £1m per annum, and venue hire, including the ice rink, performed strongly in spite of the disruption.

Corporate partnerships secured a three-year partnership with Dell EMC for *Dippy on Tour*, enabling the Museum's digital team to create *Dippy's Natureonauts*, an innovative web app which encourages children to venture outdoors and interact with the natural world. Ørsted continued its associate sponsorship of our *Wildlife Photographer of the Year*, as well as helping the Museum develop a new education programme, *Generate: Scientists of the Future*. Through building relationships

with four schools, this three year initiative, launching this year, will explore the role that informal science-learning environments can play in students' aspirations and attitudes to science. We also partnered with Airbnb for *Dinosnores for Kids*.

As already noted a major gift was received from the Calleva Foundation in support of the Centre for Human Evolution.

Our science has continued to be supported by securing prestigious research grants in the increasingly competitive academic environment. Our primary funders are the UK Research Councils that are now integrated under UK Research and Innovation. The Museum has led awards including a climate-change-linked NERC project, *Reef refugia out of the shadows: dynamics of marginal coral reef ecosystems over the past 30 million years in the Coral Triangle*, and is a major collaborator on a BBSRC Bioinformatics and Biological Resources Fund project *CryoArks - Enhancing frozen collections for non-model and endangered animal taxa*.

The Museum has also engaged with the UK Government's Global Challenges Research Fund, which seeks to support international collaboration, including a project that will take advantage of our world-class expertise in ancient DNA, *Preserving, restoring and managing Colombian biodiversity through responsible conservation*.

Funding from the European Commission's Horizon 2020 programme continues to flow into the Museum, including new Marie Curie Fellowships which serve to train the research leaders of the future. This includes the Societal Challenge project in the mining sector (CoG3) and a European Research Council Starting grant that explores trends in vertebrate evolution. The Museum also works with the UK Space Agency, which is funding our work on the project *Active Surface Processes on Mars*.

Plans for 2018-19

The public programme for 2018-19 features the popular *Sensational Butterflies*, open until September, and, from July, *Life in the Dark*, an exhibition bringing visitors face to face with animals that thrive at night, in the total darkness of caves and deep in the ocean. Providing an opportunity to experience the natural world in these very different habitats, *Life in the Dark* provides a sensory and interactive experience revealing hidden ecosystems bursting with life and energy. *Wildlife Photographer of the Year 2018* will open in the Autumn. At Tring the main summer exhibition is *What's in the Woods?* featuring outdoor and indoor woodland spaces, followed by highlights from *Wildlife Photographer of the Year 2018*.

We will continue to enhance our digital visitor experience, with regular *NHM Live* shows for Facebook and Twitter and innovative new formats, including the *Hold the World* Virtual Reality experience. Our web product will evolve to become a content destination for global natural history fans, as we launch new content hubs *Dinosaurs* and *Space*. We will explore new ways to improve the customer experience for both physical and digital visitors, including location aware services and augmented reality through our visitor app.

A new suite of rooms for Members and Patrons, the Anning rooms, will open in September, creating a unique home for members and patrons in the historic south central towers. Located over two floors in the iconic Waterhouse Towers at the heart of the Museum, this exclusive space, named after the celebrated palaeontologist Mary Anning, will celebrate the Museum's world-class collections and contribution to science.

Work will continue to develop the plans and seek funding for our project to redevelop the Natural History Museum Gardens. Our ambitious plan is to transform this five-acre site into a biologically diverse, accessible and welcoming green space in the heart of London that will inspire people to care about the natural world.

By improving accessibility and biodiversity across the entire site, and developing extensive learning and outreach activities with partners across London and the UK, the gardens will provide a living link between the Museum's activities at South Kensington and the wider world of natural history and conservation.

Our mission to reconnect the nation with nature will continue as *Dippy on Tour* moves on from the Dorset County Museum in May to the Birmingham Museum and Art Gallery, and then on to Ulster Museum, followed by the Kelvingrove Art Gallery and Museum, Glasgow. As part of our UK strategy we will also continue to deliver learning programmes for families and schools. We will reach a broader audience base through our Real World Science network of museums with natural history collections and connections with science and discovery centres across the UK.

Our touring exhibitions business continues to grow, and in 2018-19 the *Treasures of the Natural World* exhibition will open in Taipei, and we will continue to expand the reach of our global *Wildlife Photographer of the Year* brand.

We will continue to lead progress in natural science, harnessing our collections, data and expertise to unlock answers to the big issues facing society and the natural world. Our science strategy will focus on extending areas of research excellence, by establishing multi-disciplinary, grant-funded models of working, and we will continue to build national capability in biodiversity monitoring and citizen science activities.

Results of the Natural History Museum and consolidated subsidiaries

For the Natural History Museum consolidated accounts, there was an overall deficit for the year before gains and losses on investments and revaluation of £9.3m (2017: £2.1m deficit). After adjusting for depreciation, amortisation and loss on disposal of fixed assets (being non cash items), which is considered a more meaningful indicator of financial performance, there was an overall surplus of net income amounting to £4.6m (2017: £11.7m) which was in line with expectations.

Income amounted to £85.5m (2017: £87.7m). The fall reflects lower Grant-in-Aid funding, as well as a one-off increase in donations in kind in 2016-17 due to some items received under the Acceptance in Lieu scheme. All other sources of income increased during the year.

Total expenditure (after adjusting for depreciation, amortisation and loss on disposal of fixed assets) increased in year to £80.8m (2017: £76.0m) reflecting increases in expenditure on charitable activities, and trading activities, offset by a decrease in the costs of generating voluntary income.

Available reserves at 31 March 2018, as represented by current assets less liabilities, amounted to £8.1m (2017: £16.2m). This includes the general fund, the unrestricted and non-designated reserve, which amounted to £4.3m (2017: £8.7m). This is in excess of the minimum reserve figure of £4m approved by Trustees as part of the annual budgeting process and is held to manage cash flow and budgetary risks, and underpin future expenditure plans. In addition there were reserves of £1.2m held within the designated fund for future scientific research (2017: £1.5m), and £2.3m (2017: £2.3m) held within restricted funds for future investment in capital projects and activities.

These figures are summarised below:

	2017-18	2016-17
	£m	£m
Net income for the year before depreciation, amortisation, losses on disposal, asset indexation and revaluation	4.6	11.7 <i>restated</i>
General Fund	4.3	8.7
Current assets less liabilities	8.1	16.2

Capital expenditure for the year (tangible fixed assets) amounted to £9.2m (2017: £8.9m) including significant expenditure on Hintze Hall, core estate infrastructure, minor gallery refurbishment, redevelopment of the front entrance to the Museum in South Kensington and scientific equipment. This was funded by the operating surplus and the use of reserves.

Total charity funds held at 31 March 2018 amounted to £588m (2017: £558m) of which £95.7m is formally restricted (2017: £94.1m). Total fixed assets of £580m (2017: £541m) accounted for the majority of the total funds and predominantly reflect land and buildings such as the Waterhouse Building, and the Museum's collection.

Some prior year figures have been restated. Details of the restatement are set out in note 1 to the financial statements.

The Natural History Museum Trading Company Limited

The Museum established a trading company, The Natural History Museum Trading Company Limited, on 1 April 1994. It comprises the activities of retailing, conferencing and venue hire, catering, brand management, the picture library, touring exhibitions, the Wildlife Photographer of the Year Competition, and consultancy.

The net operating profit for 2017-18 amounted to £3.5m (2017: £4.0m).

Profits from the Trading Company are paid to the Museum under Deed of Covenant. For 2017-18 this amounted to £3.5m (2017: £4.0m).

The results of the Trading Company are included in the Museum's consolidated accounts and are summarised in note 12.

The registered office of the Trading Company is at The Natural History Museum, Cromwell Road, London SW7 5BD.

The Benevolent Fund

The Benevolent Fund was established by the British Museum Trustees on 14 March 1936 having been passed to the Trustees by Dr G. E. Herbert Smith. The income from the fund is to be used "to assist members of staff, in particular those less well paid, who may fall upon misfortune". Assistance is usually given by way of small grants or interest free loans to members of staff.

The balance of funds held at 31 March 2018 was £40.4k (2017: £39.2k).

The Special Funds Trust

The Natural History Museum Special Funds Trust governs a scheme set up in 2000 to consolidate and administer a number of individual funds. The Trust applies the income in or towards the furtherance of the work of the Museum for which provision is not made from public funds. Funds are allocated with due consideration to the intentions of the original funds.

The balance of funds held at 31 March 2018 was £4.2m (2017: £1.6m).

The Funding Agreement

The Museum has a Funding Agreement with DCMS which sets out what the Government expects the Museum to deliver for the Grant-in-Aid it receives. The current funding allocation was issued in March 2018.

The Grant-in-Aid for the period 2017-18 to 2019-20 is as follows:

£000	2017-18	2018-19	2019-20
Resource Grant-in-Aid	39,515	39,515	39,515
Capital Grant-in-Aid	2,300	2,300	2,300
Total	41,815	41,815	41,815

For the purposes of consolidated budgeting and monitoring with DCMS during the year, reflecting HM Treasury guidance, a budget of £4m for the Museum's operational non-capital research spend is tracked against Capital Grant-in-

Aid, thereby reflecting budgeting totals of £6,300k for Capital Grant-in-Aid and £35,515k for Resource Grant-in-Aid.

Reserves policy

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves (i.e. those funds that are not restricted or tied up as fixed assets), in particular the unrestricted General Reserve, appropriate to the scale, complexity and risk profile of the Museum. This takes into consideration the funding base which consists predominantly of Grant-in-Aid under the funding agreement with DCMS which covers the period 2016-2020 and also self-generated trading income, scientific grant income and sponsorship, which are changeable.

It is expected that there will be a Spending Review during 2019 which will determine the Grant-in-Aid for 2020-21 and onwards.

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in February 2018 a minimum level of unrestricted general fund of £4m. At 31 March 2018 the general fund amounted to £4.3m. At the Board Meeting in February 2018 the Trustees also approved a budget for 2018-19 which maintained the level of general fund, with growth thereafter based on increased self-generated income, control of expenditure, and a minimum level of capital investment.

Trustees also designate funds for specific projects and activities. Designations currently include funds for scientific research which have been derived over a number of years from income from scientific activities exceeding an annual target.

Investment powers and policy

The Museum's investment powers are established in its Management Agreement with DCMS. This states that the Museum may not invest Grant-in-Aid income but that the Museum is free to invest non-Grant income in line with the relevant Charity Commission guidance on investments.

The Museum invests cash balances in accordance with its Investment Policy. The Policy addresses management of liquidity, credit, interest rate, procedural and foreign currency risk and the stated aim of the Policy is to achieve a balance between income and growth with moderate to low risk. Investments are currently held in mixed portfolio funds to achieve this aim.

Sustainability

A sustainability report including performance data, prepared in accordance with the Greening Government commitments and the Government Financial Reporting Manual can be found at <http://www.nhm.ac.uk/about-us/reports-accounts.html>

Key performance data

	2015-16	2016-17	2017-18
Greenhouse gas emissions Scope 1 & 2 (tonnes CO ₂)	10,554	10,556	10,685
Energy consumption (MWh)	29,297	30,392	31,172
Water consumption (m ³)	85,319	92,902	98,319
Waste (tonnes)	549	547	733

The increase in waste reflects the impact of capital projects carried out on site during 2017-18, and a change in the methodology of reporting such waste. The increase in water consumption also reflects the level of capital project activity.

Specific activities undertaken and achievements during 2017-18 include:

- The Museum completed the development of a Sustainability Action Plan;
- ISO 14001:2004 Environmental Management certification was re-awarded based on the on-going audit assessments.

- The Museum has undertaken a fourth year of involvement with the National Union of Students' Green Impact sustainable behaviour change programme with four of the highest Gold awards being achieved in September 2017 by teams taking part in the scheme.
- Towards the end of the year an LED lighting project was completed at Tring. Approximately 300 fittings were replaced or upgraded which will result in both cost and carbon savings.
- In November the Museum announced that the onsite selling of single-use plastic water bottles would be halted during 2018-19.

Fundraising Regulation

The Natural History Museum Trustees oversee a range of fundraising activities which support the vital work of the Museum in a long-term and sustainable manner and in line with our mission and values. No professional agents are used for fundraising directly to the public and members of staff engaged in fundraising activities are subject to cross-Museum policies alongside departmental procedures, standards and guidelines. A Donor Charter and Donor Stewardship Matrix are in place to ensure our supporters are communicated with appropriately and carefully, and all staff receive ongoing training to ensure they act in accordance with the highest legal, ethical and professional standards. This includes safeguarding people from unreasonable intrusion on their privacy and undue pressure to donate. The Museum has also signed up to receiving suppressions under the Fundraising Preference Service.

The Trustees receive progress reports throughout the year in order to review and oversee all aspects of fundraising as part of their statutory responsibilities. The Museum has a number of feedback mechanisms in place for the public as detailed on its website, and responds to all questions, complaints and comments in a timely and transparent way. No fundraising complaints have been received by the Museum in 2017-18.

The Museum voluntarily complies with the Fundraising Regulator, including payment of its annual levy, and reviews all relevant working practices in order to ensure full compliance with the regulator's Fundraising Promise in the Code of Fundraising Practice on an ongoing basis.

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed.

The Lord Green of Hurstpierpoint
Chair of the Board of Trustees
3 July 2018

Sir Michael Dixon
Director and Accounting Officer

Appendix 1

Performance indicator information, including those indicators listed in the Funding Agreement

Performance indicator	17-18 Outturn	16-17 Outturn	15-16 Outturn	14-15 Outturn	13-14 Outturn
Visitors					
Total number of visitors (South Kensington and Tring) (k) #1 #2	4,712	4,606	5,352	5,426	5,579
Number of child visitors (k) #1 #3	1,192	1,099	1,328	1,421	1,452
Number of over 60s visitors (k) #3	291	245	308	312	311
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over (k) #3	219	253	182	240	363
% of visitors who thought the museum was excellent / good #3 #4	96	97	96	96	94
Digital					
Number of unique website visits (m) #1	9.89	9.20	10.49	10.28	8.61
Number of impressions (m) #5	350.94	209.35	-	-	-
Learning					
Facilitated and self-directed visits by visitors under 18 years old and in formal education (k) #1 #6	209.7	252.0	254.8	249.2	327.6
The number of instances where visitors under 18 years old have participated in on-site activities (k) #1 #6	290.0	291.3	251.6	263.2	159.9
Science					
Number of peer reviewed research publications #7	530	692	831	867	721
Value of major research grants won (£m total value to the Museum) #8	5.4	4.3	6.1	5.1	4.7
Number of visitor days for visiting researchers	12,721	8,103	11,588	14,574	14,813
Number of UK loan venues #1 #9	45	41	43	95	133
Number of enquiries to Science Group	7,787	6,675	8,253	10,494	14,441
Income generation					
Gross income from admissions (£m)	3.58	2.92	3.27	3.56	2.46
Net income from trading activities (£m) #10 #11	11.61	10.86	11.61	11.50	9.61
Fundraising income (£m) #11	6.30	9.06	5.57	11.18	3.58
Charitable giving					
Total income from charitable giving (£m) #1	6.93	6.38	6.30	11.48	3.52
Charitable giving as a % of Grant-in-Aid #1	17%	13%	15%	26%	8%

#1 DCMS key and additional performance indicators from the Management Agreement.

#2 2016-17 has been corrected to include visitors to Tring.

#3 Based on sampling.

#4 Reported figure for 2013-14 has been corrected from 97 to 94.

#5 Based on Facebook and Twitter for which data is only fully available from 2016-17.

#6 Previously reported the number of children aged 16 and under in on and offsite organised educational activities. 2017-18 reflects the impact of an incident in Exhibition Road in October 2017 and the terrorist threat more widely in London.

#7 The reported figure for 2013-14 was previously disclosed as the 'total number of publications'. These figures have been amended to reflect the 'total number of peer reviewed publications' only. From 2015-16 the focus has been on top tier publications.

#8 The 2015-16 figure has been revised to include the value to the Museum (excluding sub-contractors) of the DeWorm 3 project.

#9 The reported figure for 2013-14 has been amended to reflect the UK loan venues in place at the beginning of the year as well as during the year and therefore comparable to other disclosed years.

#10 Includes the contribution from trading activities excluding depreciation.

#11 The figure for 2016-17 has been restated in line with the financial statement restatements.

The performance indicators are subject to annual review and have been updated to align more closely with strategic objectives and reflect DCMS requirements.

Report on the Remuneration of Senior Management

The senior management of the Museum are considered to be the Executive Board, with whom responsibility and delegated authority for the management of the Museum rests. The Executive Board is under the leadership of the Director of the Museum, who is appointed by the Board of Trustees, and who, as the Accounting Officer, is responsible to Parliament. The Executive Board reflects the functional operation of the Museum.

The Trustees receive no remuneration.

Service contracts

Senior management appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

The senior management of the Museum hold appointments which are open-ended with a notice period of six months. Termination payments are in accordance with contractual terms. During the year 2017-18 there were no compensation or severance payments to senior management.

Remuneration Committee

The Board of Trustees has established a Remuneration Committee to support it in undertaking its responsibilities for overseeing the performance and remuneration of the Museum's senior management. In particular it oversees the performance and remuneration of the Museum Director and receives and approves recommendations from the Director with regard to the remuneration of other senior managers.

The membership of the Remuneration Committee for 2017-18 comprised:

The Lord Green of Hurstpierpoint
Professor Dame Janet Thornton DBE FRS
Professor Sir John Holman KBE

The Director and the Head of Human Resources attend any meetings which review senior management remuneration except for discussion concerning their own pay and performance.

Policy on the remuneration of senior managers for current and future financial year

At the beginning of the year, senior managers are set objectives based on the Museum's strategic plan. At the end of the year they are assessed by the Director on how far they have achieved their objectives and their performance is rated accordingly. The Chairman of Trustees assesses and rates the Director's performance. All ratings are then reviewed by the Remuneration Committee. All components of senior managers' remuneration, including an incentive bonus scheme, are dependent on delivery and performance.

When determining salary levels, a number of factors are taken into account:

- the projected budget for the annual staff settlement;
- salary levels internally and in the market place (through salary surveys);
- job size and whether this has changed over the period (through formal evaluation, where applicable);
- the performance and contribution of the individual over the period, assessed through performance appraisal; and
- issues of retention.

The Director is eligible for a bonus up to a maximum of 15% of gross salary. This is determined by an assessment of his performance and achievement of delivery targets carried out by the Chair of the Trustees which is reviewed and confirmed by the Remuneration Committee.

Senior management other than the Director are eligible for a bonus up to a maximum of 7.5% of their gross salary, based upon achievement of their objectives and their performance, as assessed by the Director and reviewed and confirmed by the Remuneration Committee.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the senior management of the Museum.

Remuneration

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	165-170	165-170	20-25	20-25	5,500	5,100	35	37	230-235	230-235
Neil Greenwood <i>Director of Finance and Corporate Services</i>	115-120	110-115	5-10	5-10	-	-	13	29	135-140	150-155
Professor Ian Owens <i>Director of Science</i>	115-120	115-120	5-10	5-10	-	-	46	46	170-175	170-175
Dr Justin Morris <i>Director of Public Engagement (to July 2017)</i>	25-30 (FTE 115-120)	115-120	5-10	5-10	-	-	-	48	35-40	170-175
Fiona McWilliams <i>Director of Development and Communications</i>	115-120	110-115	5-10	5-10	-	-	45	44	165-170	160-165
Clare Matterson CBE <i>Director of Engagement (from March 2018)</i>	1-5 (FTE 140-145)	-	-	-	-	-	-	-	1-5	-

The above information has been subject to audit.

Salary

'Salary' includes gross salary; and any allowance to the extent that it is subject to UK taxation.

Bonus payments are shown separately in the remuneration table.

This presentation is based on payments made by the Museum and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Sir Michael Dixon has use of the Lodge on the Museum's South Kensington site for accommodation.

The costs of utility services provided to the Lodge are met by Sir Michael Dixon.

Pay multiples

Reporting bodies are required to disclose the relationship between remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The remuneration of the highest-paid director in the financial year 2017-18 was £195,000-£200,000 (2017: £195,000- £200,000). This was 6.0 times the median salary of the workforce (based on permanent and fixed term appointment staff), which was £33,085 (2017: 6.1 times the median of £32,500).

In 2017-18, no employees received remuneration in excess of the highest paid director (2017: 0). Remuneration

¹ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

ranged from £18,923 - £127,500 (2017: £18,589 - £122,500).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The above information has been subject to audit.

Pension benefits

	Accrued pension at pension age as at 31 March 2018 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	35-40	0-2.5	668	619	32
Neil Greenwood <i>Director of Finance and Corporate Services</i>	35-40 plus a lump sum of 115-120	0-2.5 plus a lump sum of 2.5-5	815	749	11
Professor Ian Owens <i>Director of Science</i>	15-20	2.5-5	208	171	22
Dr Justin Morris <i>Director of Public Engagement (to July 2017)</i>	-	-	-	475	-
Fiona McWilliams <i>Director of Development and Communications</i>	5-10	2.5-5	95	58	27
Clare Matterson CBE <i>Director of Engagement (from March 2018)</i>	-	-	-	-	-

The above information has been subject to audit.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, Museum staff would have been in one of five defined benefit schemes; either a final salary scheme (**classic, premium** or **classic plus**); or a whole career scheme (**nuvos** or **alpha**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. All new employees since 1 April 2015 must default into the **alpha scheme** unless they have reserved rights, from previous Civil Service employment, to remain in one of the other schemes. All employees continue to have the option for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**Civil Service Pension Partnership Account**).

From 1 April 2017 employee contributions within PSCPS continued to be salary-related and ranged between 4.6% and 8.05% of pensionable earnings for **classic, premium, classic plus, nuvos** and **alpha** members. Increases to employee contributions will apply from 1 April 2018. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable

earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In **alpha** pension accrual is similar to **nuvos** but the accrual rate is 2.32% of pensionable earnings. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a defined contribution scheme. The employer makes a basic contribution as a percentage of pensionable earnings. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. The pension age for **alpha** is linked to the State Pension Age and will increase in due course.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

From 1 April 2017, all new employees are auto-enrolled into the NHM Pension Scheme. The minimum employee contribution is 4% of salary and, subject to that contribution being made, the Museum makes a contribution of 8% of salary. If an employee chooses to contribute more than 4%, the Museum will match up to a further 2%. Further details can be found at <http://avivapensiondocuments.co.uk/NaturalHistoryMuseum>

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Other information

None of the Directors held any other positions or had any business interests which represented a conflict of interest in connection with their position at the Museum.

The Trustees of the Natural History Museum are not remunerated. Expenses paid are disclosed in note 7 to the financial statements.

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2017-18			2016-17		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	9	-	9	-	16	16
£10,000 - £25,000	6	-	6	-	13	13
£25,000 - £50,000	1	-	1	-	13	13
£50,000 - £100,000	-	-	-	-	15	15
£100,000 - £150,000	-	-	-	-	-	-
Total number of exit packages	16	-	16	-	57	57
Total resource cost (£)	158,578	-	158,578	-	1,738,426	1,738,426

The above information has been subject to audit.

Redundancy and other departure costs have arisen as a result of expiring fixed term contracts and restructuring within the Museum.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The Lord Green of Hurstpierpoint
Chair of the Board of Trustees
3 July 2018

Sir Michael Dixon
Director and Accounting Officer

Statement of Trustees' and Director's Responsibilities

Under Sections 9(4) and (5) of the Museums and Galleries Act 1992, the Trustees of the Natural History Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Digital, Culture, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and show a true and fair view of the Museum's financial activities during the year and of its financial position at the end of the year.

In preparing the Museum's accounts the Trustees are required to:

- comply with the Government Financial Reporting Manual;
- observe the Accounts Direction issued by the Secretary of State*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer for DCMS has designated the Director as Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for the safeguarding of the Museum's assets, are set out in *Managing Public Money*, issued by the Treasury.

The Trustees and Accounting Officer confirm that, as far as they are aware, there is no relevant audit information of which the external auditors are unaware. The Trustees and Accounting Officer have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the external auditors are aware of that information.

The Trustees and Accounting Officer confirm that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Lord Green of Hurstpierpoint
Chair of the Board of Trustees
3 July 2018

Sir Michael Dixon
Director and Accounting Officer

* A copy of which is available from the Director of Finance and Corporate Services, The Natural History Museum, Cromwell Road, London SW7 5BD.

Governance Statement

The Governance Framework

The Museum is governed by a Board of twelve Trustees who are appointed by the Prime Minister (8), the Secretary of State for Digital, Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister are appointed by open competition.

The Board meets generally four times a year. In addition strategy days are arranged with at least one taking place annually. The Board receives reports on a regular basis covering key performance indicators, financial performance, Science and Public Engagement activities, Audit and Risk Committee, health and safety, and an annual report on security (physical and information). In addition, the Board approves the annual budget and future financial plan and the strategic plan, receives periodic external visiting group reports on a major area of activity, usually Science based, and receives and approves major strategies and projects where appropriate.

The Board approved the current Museum strategy, Strategy to 2020, which sets clear strategic objectives in 2014-15 and is satisfied that good progress in delivery is being made .

During the year 2017-18 the following served as Trustees:

	Attendance at Board Meeting (max 4)	Attendance at Audit and Risk Committee (max 4)	Attendance at Remuneration Committee (max 1)	Attendance at Property Committee (max 5)
The Lord Green of Hurstpierpoint <i>(Chair. Member of the Remuneration Committee and Property Committee)</i>	4/4	-	1/1	4/5
Professor Sir John Beddington CMG FRS	1/4	-	-	-
Dame Frances Cairncross DBE FRSE	4/4	-	-	-
Professor Christopher Gilligan CBE <i>(Member of the Audit and Risk Committee)</i>	3/4	3/4	-	-
Professor Sir John Holman KBE <i>(Member of the Remuneration Committee)</i>	4/4	-	1/1	-
Anand Mahindra	1/4	-	-	-
Hilary Newiss <i>(Chair of the Audit and Risk Committee)</i>	4/4	4/4	-	-
Robert Noel <i>(Member of the Audit and Risk Committee. Chair of the Property Committee)</i>	3/4	4/4	-	5/5
Simon Patterson	4/4	-	-	-
Professor Sir Stephen Sparks CBE FRS	4/4	-	-	-
Professor Dame Janet Thornton DBE FRS <i>(Member of the Remuneration Committee)</i>	4/4	-	1/1	-
Dr Kim Winser OBE	2/4	-	-	-

Colin Hudson serves as a co-opted member of the Audit and Risk Committee and attended four (of four) meetings during 2017-18.

Hugh Seaborn and Ian Henderson serve as co-opted members of the Property Committee and attended five and four meetings (of five) respectively during 2017-18.

Trustees are initially appointed for a four year period and may be appointed to serve a second four year term before standing down.

All Trustees attend a one day induction and training course, and are issued with documents relating to the Museum's corporate governance framework.

There are three formal sub-committees of the Board of Trustees as follows:

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management, including on the management of specific major risks, on any internal control issues from the Risk and Assurance unit, on matters arising from external audits, and to review progress on the implementation of recommendations. The Committee also reviews a sample of audit reports and those reviewed during 2017-18 included data protection and information assurance, travel and expenses, and payroll, pensions administration and employment status. The Chair of the Audit and Risk Committee reports any matters arising directly to the Board.
- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Report on the Remuneration of Senior Management).
- **The Property Committee** provides support to the Board of Trustees regarding stewardship of the Museum's real estate including the development of a long term property strategy and developing and overseeing delivery of a masterplan. During the year the Committee met five times and received reports on the development of the masterplan, the grounds redevelopment plan, and collections storage.

A **Nominations Committee** is convened and meets as required to assist the Chair in making Trustee and senior appointments. There was no meeting during 2017-18.

In addition there are three advisory groups - the **Science Advisory Committee** to provide advice on the Museum's scientific activities; the **Commercial Advisory Committee** to provide advice on commercial activities; and the **Development Advisory Committee** to provide advice and support on fundraising activities.

The Board carries out an externally facilitated review of its performance and effectiveness every three years with an internal self-assessment carried out in intervening years. The most recent external review was carried out in early 2016-17 and concluded that the Board operated effectively, with a plan agreed for the implementation of some minor recommendations.

Compliance with the Corporate Governance Code

The Museum is a non-departmental public body and a statutory charity. It is mindful of the Corporate Governance Code for central government departments and Trustees are content that the Museum complies where appropriate.

Scope of responsibility in respect of internal control

It is a responsibility of The Board of Trustees and the Accounting Officer to ensure that the Natural History Museum has a sound system of internal control that:

- supports the achievement of the aims and objectives of the Natural History Museum; and
- safeguards the assets and public funds for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Managing Public Money and specifically in the Management Agreement between the Museum and DCMS.

In practice the Trustees normally delegate responsibility to the Accounting Officer for the day to day management of all operational activities, which support the system of internal control.

The Executive Board is responsible for the day to day operation of the Museum, under the leadership of the Director. It formulates and monitors the strategic plan, approves policies and procedures, and has collective responsibility for delivering programmes and projects across all Museum activities.

The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate risks to the achievement of aims and objectives; it can therefore only provide reasonable rather than absolute assurance of effectiveness.

The system of internal control is based on a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2018 and up to the date of signature of the accounts.

The risk management, risk profile, capacity to handle risk and the risk environment

The Museum has a risk management policy, comprehensive guidance on risk management and a robust risk assessment methodology which have been widely disseminated and implemented. The risk management policy sets out the Museum's attitude to risk, and responsibilities including those of the Trustees, the Director, the Head of Risk and Assurance, managers and staff, and the Executive Board which has overall responsibility for risk management during the year.

Specifically the Executive Board has responsibility for:

- developing and monitoring the implementation of the risk management strategy; and
- assessing, reviewing and monitoring the key inherently significant and emerging risks to the achievement of aims and objectives.

Additionally, the Executive Board has responsibility for overall strategy development and implementation, and for overall Museum management.

A risk profile highlighting the key risks is prepared annually by the Executive Board, taking account of departmental and project based risk registers, Museum wide risks and the external environment. This is reviewed and endorsed by the Audit and Risk Committee and the Board of Trustees.

At the detailed level, responsibility for each key risk is allocated to managers as risk owners, and the risk owners are required to report quarterly to the Executive Board and selectively to the Audit and Risk Committee on the progress of action taken to manage these risks. The Director also reports progress in managing the risks to the Audit and Risk Committee, and significant changes and developments in the risk profile including new risks are reported to both the Audit and Risk Committee and the Board of Trustees.

The Museum has an assurance framework to manage long term inherent risks, including those relating to security (both physical and information), fire, health and safety, safeguarding, collections care, fraud, failure of estate infrastructure and long term financial planning.

The current major corporate risks being managed focus on the plans to increase commercial, scientific grant and development income significantly from all sources, the need to develop a realisable and comprehensive solution for the ongoing storage needs for the collection, and other masterplanning and space planning requirements, including investment in the public galleries and significant backlog and routine maintenance. Further major risks focus on the ongoing development of digital products and services including databasing and digitisation of the collection, the development of science centres of excellence, managing and maximising the power of the Museum's brand, and cyber security and resilience.

At the Audit and Risk Committee in May 2017 a revised approach to risk management was approved, based on a review by the Head of Risk and Assurance and recommendations from an external review.

The principle improvements introduced from 2017-18 are:

- To build a 'risk universe' for the Museum by considering the activities we undertake on a day to day basis, largely by functional area. The "risk universe" is updated annually at the start of the financial year and as new or emerging risks are identified during the year.
- To use this 'risk universe' to inform the annual audit and assurance plan (set within a five year context) carried out by the Head of Risk and Assurance, her staff and external contractors.
- To revise the documentation (a Board Assurance Framework) that is shared with the Audit and Risk Committee and the Board of Trustees to give them assurance of the risk mitigation processes in place, and future plans to further ameliorate risk.
- To think about risk as a single set of factors the Museum must address over time, rather than in the artificial timescale of a single financial year.
- The risks from the 'risk universe' which have the highest scores for levels of residual risk are treated as the major risks for the coming year and reported to the Audit and Risk Committee and Board of Trustees in the Board Assurance Framework.

The Directors and managers are responsible for assessing risk appetite, using a framework of key documents including the Financial Regulations, Collections Management Policies, the Procurement Manual, the Staff

Handbook and Health and Safety guidelines. The risk appetite is generally regarded as low particularly where this relates to statutory and legal obligations. The risk appetite for a given risk may, however, differ from a low category, for example for commercial activities where we may accept a higher risk appetite, recognising that there is a risk of failure.

Significant internal control improvements during the year

A number of specific actions have occurred during the year which have strengthened the internal control framework and helped in the managing of the major and inherent risks:

- Continuing investment in Museum wide security and fire safety infrastructure and further embedding of physical security systems and processes.
- Continuing investment in IT systems resilience.
- OHSAS 18001 certification was maintained for the occupational health and safety management.
- ISO 14001 was maintained for the environmental management system.
- PAS 7 certification was achieved for the fire risk management system.
- Significant preparatory work for the implementation of the General Data Protection Regulation (GDPR) was overseen by the Information Management Group.
- Refresher training for Museum managers and key staff on key Museum policies has taken place.
- A crisis management exercise was undertaken.

Significant internal control matters arising during the year

There were no significant control matters which occurred during the year.

Risks to data and information

Risks to data and information held by the Museum are managed by individuals responsible as information asset owners. There is a Senior Information Risk Owner (SIRO) responsible for the information risk policy and risk assessment, and for ensuring that the Museum complies with the Cabinet Office protocols it has assessed as being appropriate for the management of information risk.

There were no sensitive personal data incidents during the year which required reporting to the Information Commissioner.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2017-18 has been informed by the work of the Museum's Risk and Assurance Unit including the review of the controls in place for effective management of information risk and:

- (a) the Health and Safety Manager's annual report to Trustees;
- (b) the Annual Security Report to Trustees, including information risk management and assurance; and
- (c) comments made by the external auditors in their management letter.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees and the Audit and Risk Committee, and mechanisms to ensure continuous improvement are in place.

The Risk and Assurance Unit is responsible for examining and reporting on the adequacy and effectiveness of the risk management, control and governance processes. It takes a risk based approach to audits and focuses on the major corporate risks to the achievement of the Museum's strategic objectives.

The unit works to an audit and risk strategy and annual audit plan approved by the Audit and Risk Committee and operating to the Public Sector Internal Audit Standards. The purpose of the audit and risk strategy is to put in place an approach and annual audit plan that will enable the Head of Risk and Assurance to deliver an overall opinion each year to the Museum Director (Accounting Officer) on the whole of the Museum's risk management,

control and governance processes in order to inform and support the preparation of the annual Governance Statement.

The annual report on audit activity, which includes the Head of Risk and Assurance's opinion on the adequacy and effectiveness of the risk management and internal control system is considered by the Audit and Risk Committee and presented to the Board of Trustees. The Committee reviewed and agreed with the report for 2017-18 which concluded that despite an amendment to the audit plan during the year to accommodate an absence, the overall level of assurance was substantial, and this was also reviewed and endorsed by the Board of Trustees. The Committee also reviewed and confirmed that it was satisfied with the quality, professionalism and thoroughness of the internal audit work during the year.

The Lord Green of Hurstpierpoint
Chair of the Board of Trustees
3 July 2018

Sir Michael Dixon
Director and Accounting Officer

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Natural History Museum for the year ended 31 March 2018 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Statement of Cash Flows and Consolidated Statement of Cash Flows and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Report on the Remuneration of Senior Management that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Natural History Museum's affairs as at 31 March 2018 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Natural History Museum and group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Trustees and Director

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Natural History Museum's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Natural History Museum's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Trustees and Director are responsible for the other information. The other information comprises information included in the Trustees' Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Report on the Remuneration of Senior Management to be audited have been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Trustees' Report; and
- the information given in the Trustees' Report which we provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and parts of the Report on the Remuneration of Senior Management to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

9 July 2018

Consolidated Statement of Financial Activities for the year ended 31 March 2018

	Notes	Unrestricted Funds		Permanent	Total Funds 2018	Unrestricted Funds		Permanent	Total Funds 2017 (restated)		
		Designated	General	Restricted Funds		Endowment Funds	Designated (restated)	General (restated)		Restricted Funds (restated)	Endowment Funds (restated)
		£000	£000	£000	£000	£000	£000	£000	£000		
Income and endowments from											
Donations and legacies											
Grant-in-Aid	3	–	41,815	–	–	41,815	–	49,115	–	–	49,115
National lottery		–	–	126	–	126	–	–	118	–	118
Donations		–	2,072	3,189	2,500	7,761	–	1,574	3,454	–	5,028
Donations in kind		–	–	1,060	–	1,060	–	–	3,833	–	3,833
Charitable activities											
Admissions and memberships		–	4,605	–	–	4,605	–	3,633	–	–	3,633
Scientific and other grants		–	–	9,246	–	9,246	–	–	5,810	–	5,810
Other trading activities											
Trading activities	4	–	17,636	–	–	17,636	–	17,231	–	–	17,231
Sponsorship	4	–	223	–	–	223	–	196	–	–	196
Shared services		1,885	40	–	–	1,925	1,654	92	–	–	1,746
Other income	5	–	776	180	–	956	–	779	109	–	888
Investments	5	77	33	1	–	111	54	39	2	–	95
Total income		1,962	67,200	13,802	2,500	85,464	1,708	72,659	13,326	–	87,693
Expenditure on											
Raising funds											
Costs of generating voluntary income	7	549	2,700	146	–	3,395	558	2,903	126	–	3,587
Trading activities	7	2,118	11,231	–	–	13,349	1,877	10,407	–	–	12,284
Charitable activities											
Public Engagement	7	4,967	29,275	2,096	–	36,338	5,021	28,896	1,727	–	35,644
Scientific curation and research	7	6,865	22,890	11,919	–	41,674	6,223	23,994	7,889	–	38,106
Other											
Loss on disposal of fixed assets	7	21	–	–	–	21	129	–	–	–	129
Total expenditure		14,520	66,096	14,161	–	94,777	13,808	66,200	9,742	–	89,750

	Notes	Unrestricted Funds		Permanent	Total Funds 2018	Unrestricted Funds		Permanent	Total Funds 2017 (restated)		
		Designated	General	Restricted Funds		Endowment Funds	Designated (restated)	General (restated)		Restricted Funds (restated)	Endowment Funds (restated)
		£000	£000	£000	£000	£000	£000	£000	£000		
Net (expenditure)/income before gains and losses on investments		(12,558)	1,104	(359)	2,500	(9,313)	(12,100)	6,459	3,584	–	(2,057)
Net (losses)/gains on investments	11	11	–	–	(29)	(18)	46	–	–	54	100
Net (expenditure)/income after gains and losses on investments		(12,547)	1,104	(359)	2,471	(9,331)	(12,054)	6,459	3,584	54	(1,957)
Transfers											
Gross transfers between funds	20	11,385	(5,222)	(6,163)	–	–	4,922	(5,303)	381	–	–
Net (expenditure)/income before other recognised gains and losses		(1,162)	(4,118)	(6,522)	2,471	(9,331)	(7,132)	1,156	3,965	54	(1,957)
Other recognised gains/(losses)											
Gains on indexation and revaluation of fixed assets for charity's own use	8	32,066	–	8,105	–	40,171	438	–	993	–	1,431
Gain/(loss) on foreign exchange		–	(218)	–	–	(218)	–	658	–	–	658
Net movement in funds		30,904	(4,336)	1,583	2,471	30,622	(6,694)	1,814	4,958	54	132
Reconciliation of funds											
Total funds brought forward		454,104	8,656	94,111	818	557,689	460,798	6,842	89,153	764	557,557
Total funds carried forward	20	485,008	4,320	95,694	3,289	588,311	454,104	8,656	94,111	818	557,689

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period.

Details of the restatement can be found in note 1.

All recognised gains and losses are included in these accounts and the Museum has no recognised gains or losses other than the above.

The notes on pages 38 to 67 form part of these accounts.

Consolidated and Museum Balance Sheets as at 31 March 2018

		Group 2018	Group 2017 (restated)	Museum 2018	Museum 2017 (restated)
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	8	567,841	532,015	567,569	531,677
Intangible assets	9	1,094	1,296	840	900
Heritage assets	10	7,323	6,695	7,323	6,695
Investments	11	3,971	1,489	300	300
Total fixed assets		580,229	541,495	576,032	539,572
Current assets					
Stock	13	1,103	1,184	315	281
Debtors	14	7,891	6,743	6,189	6,507
Cash at bank and in hand	15	14,482	25,857	13,384	24,987
Total current assets		23,476	33,784	19,888	31,775
Liabilities					
Creditors: amounts falling due within one year	17	(13,327)	(14,910)	(9,757)	(12,648)
Net current assets		10,149	18,874	10,131	19,127
Total assets less current liabilities		590,378	560,369	586,163	558,699
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	23	(429)	(496)	(429)	(496)
Net assets		588,311	557,689	584,096	556,019
The funds of the charity					
Permanent endowment funds	20	3,289	818	–	–
Restricted funds					
Restricted income funds		60,716	67,238	60,716	67,238
Restricted revaluation reserve		34,978	26,873	34,978	26,873
Total restricted funds	20	95,694	94,111	95,694	94,111
Unrestricted funds					
Designated funds	20	222,091	223,253	220,941	221,968
Designated revaluation reserve		262,917	230,851	262,917	230,851
General funds	20	4,320	8,656	4,544	9,089
Total unrestricted funds		489,328	462,760	488,402	461,908
Total charity funds	20	588,311	557,689	584,096	556,019

Details of the restatement can be found in note 1.

The notes on pages 38 to 67 form part of these accounts.

The Lord Green of Hurstpierpoint
Chair of the Board of Trustees
3 July 2018

Sir Michael Dixon
Director and Accounting Officer

Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ending 31 March 2018

		Group 2018	Group 2017 (restated)	Museum 2018	Museum 2017 (restated)
	Note	£000	£000	£000	£000
Cash flows from operating activities:					
Net cash provided by operating activities	22	1,183	6,991	(1,493)	6,671
Cash flows from investing activities:					
Interest income received	5	34	41	34	41
Investment income received	5	77	54	–	–
Purchase of tangible fixed assets	8	(9,215)	(8,852)	(9,190)	(8,775)
Purchase of intangible fixed assets	9	(175)	(76)	(175)	(41)
Purchase of heritage assets	10	(8)	(35)	(8)	(35)
Purchase of investments	11	(2,500)	(11)	–	–
Net cash used in investing activities		(11,787)	(8,879)	(9,339)	(8,810)
Cash flows from financing activities:					
Loan received from DCMS	18	–	2,425	–	2,425
Loan repayment to DCMS		(553)	–	(553)	–
Net cash used in financing activities		(553)	2,425	(553)	2,425
Net increase / (decrease) in cash and cash equivalents					
	15	(11,157)	537	(11,385)	286
Cash and cash equivalents at the beginning of the year		25,857	24,662	24,987	24,043
Change in cash and cash equivalents due to exchange rate movements		(218)	658	(218)	658
Cash and cash equivalents at the end of the year		14,482	25,857	13,384	24,987

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified for the inclusion of certain fixed assets at their value to the business by reference to current costs and of investments at market value. The accounts comply with the requirements of the Government Financial Reporting Manual, the Financial Reporting Standard Applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015), and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Digital, Culture, Media and Sport (DCMS), with the approval of H.M.Treasury.

Consolidated accounts have been prepared for the Museum which include the results of the Natural History Museum charity, its wholly-owned subsidiary company The Natural History Museum Trading Company Ltd (company number 02909192), and the results of the trust funds administered by the Natural History Museum known as the Benevolent Fund and the Special Funds. They do not include accounts for the International Friends of the Natural History Museum London which is a fund raising organisation based in the USA, nor do they include The Natural History Museum Development Trust which is based in the UK, both of which are run by separate and independent trustee bodies.

The address of its registered office is the Natural History Museum, Cromwell Road, London, SW7 5BD.

The financial statements are prepared in sterling, which is the functional currency of the Museum. Monetary amounts in these financial statements are rounded to the nearest thousand.

The Natural History Museum is a public benefit entity.

Going concern status

The accounts have been prepared on the going concern basis. It is the view of the Trustees that the Museum has sufficient reserves and anticipated government grant funding and self generated income to meet future commitments. There are no material uncertainties about the Museum's ability to continue as a going concern.

Incoming resources

All income is accounted for on a receivable basis and is net of Value Added Tax.

Grant-in-Aid from DCMS is shown in its entirety in the Statement of Financial Activities. Grant-in-Aid for specific projects or activities is credited to restricted funds and all other Grant-in-Aid income is credited to general funds. However, within the Statement of Funds (note 20), Grant-in-Aid income allocated to capital expenditure other than specific projects is transferred from general funds to unrestricted designated funds and Grant-in-Aid income allocated to acquisitions for the collection is transferred from general funds to restricted funds.

Grants and other income that are awarded subject to specific performance conditions, including scientific grants and income from the Heritage Lottery Fund, are recognised when the performance conditions for their receipt have been met and, where appropriate, income is deferred accordingly. The substance of other contractual conditions attached to scientific grants and the nature of the arrangement with the funder are considered when determining the periods in which income is recognised.

Donations, shared services and sponsorship income is recognised as income when the conditions for its receipt have been met.

The Museum recognises the income of a charged exhibition in the year(s) in which the exhibition takes place. Income received for an exhibition taking place in a future period is treated as deferred income in the Balance Sheet. Expenditure for the related exhibition is charged in the period in which the goods and services have been received.

Membership income is recognised in the period it is received.

Donations in kind, including donated collections, are recognised when received and valued at their value to the Museum. The contribution of volunteers is excluded from the Statement of Financial Activities as the value of their contribution cannot be reasonably quantified in financial terms.

Income from trading activities predominantly relates to income generated within the Natural History Museum Trading Company Ltd and paid to the Museum under Deed of Covenant annually (see note 12). The accounts of the Company set out the income recognition policies applied.

Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure has been classified according to the main activities of the Museum and aggregates all costs related to each activity. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of resources. Support costs are allocated according to the number of permanent staff directly employed in each activity as an appropriate measure of the use of these resources by activity.

Costs of generating voluntary income include all costs associated with the development of the Museum's non-scientific income and in particular, support the generation of donations, income from trading activities, admissions, membership and sponsorship. Costs purely relating to generating philanthropic fundraising are separately identified in note 7.

Support costs are those functions that assist the work of the Museum but do not directly undertake charitable activities. Support costs have been allocated between costs of generating voluntary income, public engagement, and scientific curation and research based on headcount.

Significant accounting estimates

In the application of the Museum's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Amortisation

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

Depreciation

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

Provisions

Provisions are made for early retirement and severance obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative requirements. In addition, the timing of the cash flows and the discount rates used to establish the new present value of the obligations require management's judgement.

Fund accounting

The Museum's accounts are a consolidation of a number of individual funds which divide into distinct categories which are defined as follows:

Unrestricted funds general

The General Funds consist of the accumulated surplus or deficit on the Statement of Financial Activities. They are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

Unrestricted funds designated

These funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. They consist mainly of the following:

Special Funds - a collection of funds which have arisen from various legacies and donations, largely held as investments, the income from which is used for scientific purposes.

Capital Projects - expenditure funded from non restricted sources which has been capitalised.

Future Scientific Research - a fund set aside from income derived from the Museum's scientific activities to be used to fund research.

Future Projects - monies set aside to fund agreed projects during the next financial year, not funded out of income expected to be generated in that year.

Restricted funds

These funds are subject to specific restriction imposed by the donor, by the purpose of an appeal or are received for a specific purpose. They consist mainly of the following:

Scientific Grants - grant awards for specific scientific projects.

Sponsored Assets - buildings and collections which have been funded at least in part by sponsorship or donations.

Equipment Reserve - a fund established for replacement of shared services equipment - see note 1 (provision for shared services) and note 23.

Permanent endowment funds

These comprise funds donated on condition that the original funds be held permanently by the Museum, although the constituent assets may change.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

Depreciation is provided on all tangible fixed assets, other than freehold land and collection items, at rates calculated to write off the cost or valuation, less estimated residual value, on a straight line basis for each asset over its expected useful life as follows:

Freehold buildings	– between 15 and 100 years depending on the building.
Plant and machinery	– between 5 and 30 years depending upon the nature of the asset.
Permanent exhibitions	– between 10 and 20 years depending on the exhibition.
Equipment	
IT equipment	– between 3 and 20 years depending on the nature of the asset
Scientific equipment	– 5,10,15 or 20 years
Furniture and fittings	– between 4 and 20 years depending on the nature of the asset
Vehicles	– between 5 and 10 years depending on the nature of the asset

Tangible fixed assets are reviewed annually for evidence of impairments of value and, where there is evidence that recoverable value has fallen below carrying value, a calculation of the recoverable value is made. Any excess of the carrying value over the recoverable value is written off, either within depreciation in the Statement of Financial Activities, or to the revaluation reserve to the extent that it relates to a previously revalued asset.

Including assets at their value to the business by reference to current costs is achieved as follows:

Land and buildings- by external professional valuation at least every five years and using appropriate indices in the intervening periods.

Exhibitions are not revalued but are stated at historic depreciated cost.

Equipment/furniture and fittings are not revalued but are stated at depreciated indexed value as at 1 April 2011.

Tangible fixed assets with an original cost of under £5,000 are written off in the year of acquisition.

Capital expenditure on permanent exhibitions includes only the cost of materials and externally contracted services. No allocations are made of related internal labour costs.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the depreciable amount of the assets to their residual values of their estimated useful lives, as follows:

Image rights	– 5 years
Software and website	– between 3 and 10 years depending on the nature of the asset

Intangible assets with an original cost of under £5,000 are written off in the year of acquisition.

Heritage assets

The Museum's collections which are assets of historical and scientific importance held to advance the Museum's scientific and educational objectives and, through public access, contribute to the nation's culture and education, are recognised as heritage assets in accordance with FRS30 (Heritage Assets) which requires such assets to be reported in the Balance Sheet where information is available on cost or value. Prior to the financial year 2001-02 these assets were not capitalised. Reliable cost information is not available and conventional valuation approaches lack sufficient reliability, with the cost of providing such information unaffordable and unmanageable, and deemed to outweigh the benefits to the users. Accordingly these assets are not capitalised in the Balance Sheet. However since 1 April 2001 collections acquisitions in excess of the capitalisation threshold of £5,000 have been capitalised at acquisition value, and treated as non depreciable heritage assets in the Balance Sheet. A description of the collections, their management and developments in the year are given in note 10.

Investments

Investments are stated at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no accounting gain or loss arising. As a result the Statement of Financial Activities only includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year.

Market value is taken to be the middle market price ruling at the balance sheet date.

Financial instruments

The Museum only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Stocks

Stocks are stated at the lower of cost price or net realisable value and consist of goods for resale and work in progress.

Leases

The Museum has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease. Forward liabilities are disclosed in note 19.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

Provisions

Provisions are measured at the best estimate of their settlement amount at the balance sheet date.

Taxation

The charitable activities of the Museum are exempt from corporation tax. Profits from trading activities within the trading subsidiary are subject to corporation tax to the extent that they are not paid to the Museum under Deed of Covenant. The Museum and its subsidiaries are registered for Value Added Tax and have agreed a scheme for recovery of certain proportions of VAT on expenditure.

Pension costs

The operating costs of providing retirement benefits are recognised in the accounting periods in which the benefits are earned by the employees, and the related costs and changes in value of the assets and liabilities are recognised in the accounting period in which they arise.

Staff of the Museum are employed under the same conditions of service as civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is unfunded, and within which the Natural History Museum is unable to identify its share of the underlying assets/liabilities. Although the scheme is a defined benefit scheme, liability for the payment of future benefits is a charge to the PCSPS. The Museum, and other bodies covered by the PCSPS, meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

The Museum is required to meet the cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Museum provides in full for this cost when the early retirement has been announced and is binding on the Museum.

From 1 April 2017 the majority of new entrants will join the Natural History Museum Pension Scheme which is a defined contribution scheme.

Shared services

During 2017-18 the Museum supplied electricity and heating to the Victoria and Albert Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ring-fenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

Contributions to and releases from the Equipment Reserve are shown in the Statement of Financial Activities, restricted funds and note 23.

Restatements and reclassifications

During the year, the Museum undertook a review of expenditure mapping in light of organisational changes. This has resulted in some changes to the expenditure classifications on the Statement of Financial Activities. The 2016-17 comparatives have been accordingly restated for ease of comparison.

The 2016-17 donations in kind valuation has been restated to include four albums of natural history drawings, received in March 2017 through the Acceptance in Lieu Scheme and valued at £3,505,500, that were not previously included. These items were publicly announced by Arts Council England and the Museum in December 2017 and at that point were catalogued into the Museum's collection.

The effect of the changes is shown in the following table:

Consolidated Statement of Financial Activities for the year ended 31 March 2017

	As previously stated	Effect of Acceptance in Lieu inclusion	Effect of reclassifications	Re-stated
	2016-17 £000			2016-17 £000
Income and endowments from				
Donations and legacies				
Donations in kind	327	3,506	–	3,833
Charitable activities				
Scientific and other grants	6,956	–	(1,146)	5,810
Other trading activities				
Trading activities	16,012	–	1,219	17,231
Other income	961	–	(73)	888
Expenditure on				
Raising funds				
Costs of generating voluntary income	14,413	–	(10,826)	3,587
Trading activities	10,976	–	1,308	12,284
Charitable activities				
Public Engagement	26,973	–	8,671	35,644
Scientific curation and research	37,259	–	847	38,106
Total funds brought forward	557,557	–	–	557,557
Net movement in funds	(3,374)	3,506	–	132
Total funds carried forward	554,183	3,506	–	557,689

Consolidated and Museum Balance Sheets as at 31 March 2017

	As previously stated	Effect of Acceptance in Lieu inclusion	Effect of reclassifications	Re-stated
	2016-17 £000			2016-17 £000
Fixed assets				
Heritage assets	3,189	3,506	–	6,695
The funds of the charity				
Restricted funds				
Restricted income funds	63,732	3,506	–	67,238

2 Summary of results for the Natural History Museum only

	2018	2017
	£000	(restated) £000
Income and endowments		
Grant-in-Aid	41,815	49,115
National lottery	126	118
Donations	5,261	5,028
Donations in kind	1,060	3,833
Trading activities	1,187	1,354
Shared services	1,925	1,746
Other income	956	888
Investment income	34	41
Admissions and memberships	4,605	3,633
Scientific and other grants	9,246	5,810
Payment under Deed of Covenant from the Natural History Museum Trading Company	3,470	4,007
	69,685	75,573
Expenditure		
Costs of generating voluntary income	3,395	3,587
Trading activities	2,480	2,275
Public engagement	36,338	35,642
Scientific curation and research	41,660	38,096
Recharge to the Natural History Museum Trading Company	(2,333)	(2,047)
Loss on disposal of fixed assets	21	120
	81,561	77,673
Net (expenditure)/income before other recognised gains/(losses)	(11,876)	(2,100)
Gains/(losses) on foreign exchange	(218)	658
Gains on revaluation of fixed assets	40,171	1,431
Net movement in funds	28,077	(11)

3 Grant-in-Aid

	2018	2017
	£000	£000
DCMS		
Resource Grant-in-Aid	39,515	39,515
Capital Grant-in-Aid	2,300	9,600
	41,815	49,115
General Funds	41,815	49,115
	41,815	49,115

Grant-in-Aid income credited to general funds is available for running costs, capital improvements and collection purchases.

For the purposes of consolidated budgeting and monitoring with DCMS during the year, reflecting HM Treasury guidance, a budget of £4m for the Museum's operational non-capital research spend is tracked against Capital Grant-in-Aid, thereby reflecting budgeting totals of £6,300k for Capital Grant-in-Aid and £35,515k for Resource Grant-in-Aid.

4 Trading activities income

	2018	2017
	£000	(restated) £000
Brand Management	223	199
Retail	7,948	7,637
Catering and Functions	4,984	5,113
Touring Exhibitions	1,666	1,377
Consultancy	1,465	1,219
Other	1,350	1,686
	17,636	17,231

This reconciles to the Trading Company income in note 12 as follows:

Trading subsidiary turnover	16,672	16,073
Commercial sponsorship	(223)	(196)
Add: Other trading activities income (Museum income)	1,187	1,354
	17,636	17,231

5 Investments and other income

	2018	2017
	£000	£000
Income from UK equities	77	31
Income from other investments	–	23
Bank interest	34	41
	111	95

Other income		(restated)
Rentals	74	96
Other	882	792
	956	888

Investment income is shown inclusive of tax credits reclaimed in the year.

6 Net (expenditure)/income before transfers

	2018	2017
	£000	£000
is stated after crediting:		
Scientific grants from the European Union	1,039	1,648
and after charging:		
Expenditure in respect of scientific grants from the European Union	1,039	1,648
Auditors' remuneration – Museum auditors		
Museum audit	47	47
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	22	22
Special Funds and Benevolent Fund audit	2	2
Other services	5	2
Hire of plant and machinery	889	704
Travel, subsistence and hospitality	1,137	972
Depreciation	13,539	13,233
Amortisation	377	355
Stock recognised as an expense	4,176	3,872

7 Total resources expended

	Activities		Total 2018	Activities		Total 2017
	undertaken directly	Support costs		undertaken directly (restated)	Support costs (restated)	
	£000	£000	£000	£000	£000	(restated) £000
Costs of generating voluntary income	2,044	1,351	3,395	2,175	1,412	3,587
Trading activities	13,349	-	13,349	12,284	-	12,284
Public Engagement	24,126	12,212	36,338	22,930	12,714	35,644
Scientific curation and research	27,131	14,543	41,674	23,981	14,125	38,106
Loss on disposal of fixed assets	21	-	21	129	-	129
	66,671	28,106	94,777	61,499	28,251	89,750

During the year, grants were awarded of £3,089,000 (2017: £976,000) within scientific curation and research.

Support costs by activity

2017-18	Generating voluntary income	Public Engagement	Scientific	Total
	£000	£000	£000	
Management	73	656	781	1,510
Human resources	69	621	740	1,430
Estates	437	3,950	4,704	9,091
Finance	65	591	703	1,359
Information technology	179	1,620	1,930	3,729
Governance	9	80	95	184
Depreciation	519	4,694	5,590	10,803
	1,351	12,212	14,543	28,106

2016-17	Generating voluntary income (restated)	Public Engagement (restated)	Scientific (restated)	Total (restated)
	£000	£000	£000	
Management	80	722	803	1,605
Human resources	84	757	840	1,681
Estates	457	4,110	4,567	9,134
Finance	68	610	677	1,355
Information technology	179	1,612	1,792	3,583
Governance	10	94	104	208
Depreciation	534	4,809	5,342	10,685
	1,412	12,714	14,125	28,251

All support costs are allocated according to the number of permanent staff directly employed in each activity as an appropriate measure of the use of these resources by activity.

Staff costs

	Permanent contracts £000	Other contracts £000	2018 Total £000	2017 Total £000
Salaries and wages	24,129	5,410	29,539	30,260
Superannuation	4,900	782	5,682	5,683
National Insurance	2,551	519	3,070	2,931
Cost of agency staff	–	2,831	2,831	2,906
	31,580	9,542	41,122	41,780

Included in the above staff costs are redundancy costs of £167,854 (2017: £1,747,000).

The Museum accounts for exit costs in the year of the individual's departure being agreed. Where employees have been given retirement benefits under the early retirement and severance scheme operated by the Museum, the full provision is made in the year of retirement and released annually to cover payments made to the employee (note 23).

The majority of present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Museum is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2017-18, the rates were in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Payments of £5,423,000 were made during the year. The Natural History Museum is only liable for the contribution it has made directly.

Employees joining after 1 October 2002 may opt to open a partnership pension account, a stakeholder pension with an employer contribution. Payments of £75,000 were made during the year.

From 1 April 2017, new entrants are enrolled into the Natural History Museum Pension Scheme, a defined contribution scheme with an employer contribution. Payments of £184,000 were made during the year.

Pension costs are allocated to activities on the same basis as those staff costs to which they relate. At 31 March 2018 a balance of £40,000 (2017: nil) was due to be paid in relation to the Natural History Museum Pension Scheme.

The Chair and Board of Trustees received no remuneration for their services during the year (2017: nil). Travel and subsistence expenses of £3,563 (2017: £2,722) were reimbursed to 4 (2017: 4) Trustees.

The following number of senior employees, including the senior management, received remuneration falling within the ranges below:

	2018	2017
£190,001 - £200,000	1	1
£120,001 - £130,000	3	3
£110,001 - £120,000	1	1
£100,001 - £110,000	2	1
£90,001 - £100,000	3	4
£80,001 - £90,000	4	6
£70,001 - £80,000	13	7
£60,001 - £70,000	14	14

The total pension contributions payable for the senior employees included above were £743,530 (2017: £702,408).

No employees received any benefit in kind except as disclosed in the Report on the Remuneration of Senior Management.

The key management personnel comprise the Museum Director, the Director of Finance and Corporate Services, the Director of Science, the Director of Engagement and the Director of Development and Communications. The total employee benefits of the key management personnel of the Museum were £758,436 (2017: £889,605).

The Remuneration of key management personnel of the Museum, including details of bonuses and pensions, are disclosed in the Report on the Remuneration of Senior Management.

The average number of employees during the year was 898 (2017: 928) organised into the following categories:

	Permanent contracts	Other contracts	2018 Total	2017 Total (restated)
Costs of generating voluntary income	22	9	31	30
Trading activities	80	13	93	87
Public Engagement	199	113	312	374
Scientific curation and research	237	105	342	331
Support	104	16	120	106
	642	256	898	928

8 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
Value								
Balance at 1 April 2017	453,252	80,442	8,649	36,299	14,536	20,578	4	613,760
Additions	4,536	472	2,658	–	171	1,378	–	9,215
Disposals	–	–	–	–	(2,549)	(720)	–	(3,269)
Revaluation	35,225	9,637	–	–	–	–	–	44,862
Transfers in/(out)	6,544	796	(8,005)	134	–	531	–	–
Balance at 31 March 2018	499,557	91,347	3,302	36,433	12,158	21,767	4	664,568
Depreciation								
Balance at 1 April 2017	14,914	14,711	–	27,771	9,285	15,060	4	81,745
Charge for year	5,359	4,958	–	1,235	724	1,263	–	13,539
Disposals	–	–	–	–	(2,528)	(720)	–	(3,248)
Revaluation	2,389	2,302	–	–	–	–	–	4,691
Transfers in/(out)	–	–	–	–	–	–	–	–
Balance at 31 March 2018	22,662	21,971	–	29,006	7,481	15,603	4	96,727
Net Book Value 31 March 2018	476,895	69,376	3,302	7,427	4,677	6,164	–	567,841
Net Book Value 31 March 2017	438,338	65,731	8,649	8,528	5,251	5,518	–	532,015

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Wandsworth, London, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets are revalued at least quinquennially on a depreciated replacement cost basis and indexed using indices from professional sources in the intervening years. The most recent full valuation was performed by Gerald Eve LLP, Chartered Surveyors, as at 31 March 2014, in accordance with the RICS Appraisal and Valuation Manual (the red book). An intervening revaluation was carried out at 31 March 2018 based on price indices prepared by Gerald Eve LLP.

The freehold properties comprising the Natural History Museum Estate were valued as at 31 March 2014 by Gerald Eve LLP. The valuation was prepared in accordance with the requirements of the RICS Valuation-Professional Standards, January 2014 amendment and Financial Reporting Standard (FRS) 15. The valuation of the non-specialised properties was undertaken on an Existing Use Value (EUV) basis. Specialised properties were valued on a Depreciated Replacement Cost (DRC) basis.

The professional valuations at 31 March 2014 were as follows:

Property	Value 31 March 2014 £000	Basis of Valuation
The Natural History Museum, South Kensington	419,835	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	11,280	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	2,237	Existing use basis
Premises in Wandsworth, London	8,606	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

At 31 March 2014 the valuers were of the opinion that the valuation of the premises in Wandsworth, London at market value for general storage and distribution would be significantly lower than the valuation at existing use value, reflecting specialist adaptations for the storage of Museum collections at the property. The specialist adaptations are not likely to have any value for a prospective purchaser. The valuers have stated their opinion that the market value of the main museum site at South Kensington would be significantly lower than the depreciated replacement cost value reported because of the restrictive covenants contained in the Museum's title. For all other properties, the valuers considered that the difference between market value and the stated value would not be significant.

No indexation has been applied to fixture and fittings, equipment assets and permanent exhibitions as management consider that there is no material difference between current cost and actual cost. The life of these assets is reviewed annually to reflect their true value.

	2018	2017
	£000	£000
The current cost depreciation shown above is charged in the Statement of Financial Activities as follows:		
Depreciation included in Total Resources Expended	13,539	13,233
	13,539	13,233
	2018	2017
	£000	£000
Gains on indexation and revaluation of fixed assets shown above are recognised in the Statement of Financial Activities as follows:		
Revaluation value	44,862	1,541
Prior year depreciation adjustment arising from revaluation	(4,691)	(110)
	40,171	1,431

Museum	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
Value								
Balance at 1 April 2017	453,252	80,442	8,649	36,298	14,191	19,958	4	612,794
Additions	4,536	472	2,658	–	146	1,378	–	9,190
Disposals	–	–	–	–	(2,549)	(708)	–	(3,257)
Revaluation	35,225	9,637	–	–	–	–	–	44,862
Transfers in/ (out)	6,544	796	(8,005)	134	–	531	–	–
Balance at 31 March 2018	499,557	91,347	3,302	36,432	11,788	21,159	4	663,589
Depreciation								
Balance at 1 April 2017	14,914	14,711	–	27,771	9,085	14,632	4	81,117
Charge for year	5,359	4,958	–	1,235	689	1,207	–	13,448
Disposals	–	–	–	–	(2,528)	(708)	–	(3,236)
Revaluation	2,389	2,302	–	–	–	–	–	4,691
Transfers in/(out)	–	–	–	–	–	–	–	–
Balance at 31 March 2018	22,662	21,971	–	29,006	7,246	15,131	4	96,020
Net Book Value 31 March 2018	476,895	69,376	3,302	7,426	4,542	6,028	–	567,569
Net Book Value 31 March 2017	438,338	65,731	8,649	8,527	5,106	5,326	–	531,677

9 Intangible assets

Group	Image rights £000	IT software £000	Assets under construction £000	Total £000
Value				
Balance at 1 April 2017	480	2,269	–	2,749
Additions	–	155	20	175
Disposals	–	–	–	–
Balance at 31 March 2018	480	2,424	20	2,924
Amortisation				
Balance at 1 April 2017	232	1,221	–	1,453
Charge for year	96	281	–	377
Disposals	–	–	–	–
Balance at 31 March 2018	328	1,502	–	1,830
Net Book Value 31 March 2018	152	922	20	1,094
Net Book Value 31 March 2017	248	1,048	–	1,296

Museum	IT software £000	Assets under construction £000	Total £000
Value			
Balance at 1 April 2017	1,974	–	1,974
Additions	155	20	175
Disposals	–	–	–
Balance at 31 March 2018	2,129	20	2,149
Amortisation			
Balance at 1 April 2017	1,074	–	1,074
Charge for year	235	–	235
Disposals	–	–	–
Balance at 31 March 2018	1,309	–	1,309
Net Book Value 31 March 2018	820	20	840
Net Book Value 31 March 2017	900	–	900

Depreciation and amortisation costs are allocated across SOFA headings as part of the central support cost allocation.

10 Collections assets

	Group	Group	Museum	Museum
	2018	2017	2018	2017
		(restated)		(restated)
	£000	£000	£000	£000
Net book value at 1 April 2017	6,695	2,861	6,695	2,861
Additions in year	628	3,834	628	3,834
Net book value at 31 March 2018	7,323	6,695	7,323	6,695

Acquisitions Summary 2013-18

	2013-14	2014-15	2015-16	2016-17	2017-18
				(restated)	
	£000	£000	£000	£000	£000
Acquisitions >£5k	794	120	-	35	8
Donations > £5k	-	-	-	3,799	620

Valuation

As stated in note 1 the Museum has only capitalised expenditure since 1 April 2001 for acquisitions in excess of the capitalisation threshold of £5,000. They have been capitalised at acquisition value, and treated as non depreciable heritage assets in the Balance Sheet.

The Museum, under statute, maintains its collections for inspection by the public but also for scientific value and scientific research potential. As there is no ready commercial market for the majority of scientific natural history specimens the Museum's approach to valuation is based on the pragmatic adoption of theoretical valuation factors. However any valuation is completed within the confines of the Museum's approach to Valuation Control given in the NHM Collections Information and Access Policy and the valuation methodologies outlined in the Museum's Valuation Control General Procedures.

For these reasons the Museum has never assigned a financial value to its natural history specimens and collections. A full valuation of the entire inventory of approximately 80 million items is considered impractical, lacking in reliability and of no benefit. The total number of collection items which have been capitalised amounts to less than 1% of the Museum's total collection.

Scope of the collections

The life and earth science collections of the Museum are comprised of approximately 80 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. These scientific collections are complemented by the collections of the Museum's Library. Brief summary details of the collections and the Library are given below.

Life Sciences**Botanical collections**

The botanical collections comprise an estimated six million specimens including seed plants, pollen and spores, ferns and lycophytes, bryophytes, diatoms, algae, lichens and slime moulds, and is one of the most comprehensive collections in the world.

Collections are worldwide in origin with around 10% from Britain and Ireland.

The collections span a period from the 17th century to the present and include a number of historically important 17th and 18th century collections such as those of Sir Hans Sloane, Sir Joseph Banks, R. K. Greville and F. T. Kützing, the Linnaean herbariums of John Clayton and George Clifford as well as 19th century collections by Robert Brown and Charles Darwin.

Most collections are arranged systematically, some alphabetically, and important historical collections such as the Sloane and Linnaean Herbariums are kept as separate entities.

Entomological collections

The entomological collections comprise an estimated 33 million prepared specimens including insects and other terrestrial and freshwater arthropods including spiders, mites and myriapods*. They include named representatives of about half of the more than one million described species.

The collections are worldwide in origin and contain approximately 10% from the British Isles.

The oldest specimens were collected in the mid to late 17th century, but the major part of the material is of 20th century origin.

The collections are arranged systematically with the exception of two important historical collections of Sir Hans Sloane and Sir Joseph Banks, which are kept as separate entities.

* A prepared specimen is usually an individual, often adult, mounted on a pin, but it can be a microscope slide preparation (of a part, or a whole, or several individuals), or one or a sample of a species in a vial of alcohol, or the work of an insect (such as a leaf mine, a nest or a wood boring).

Zoological collections

Zoological collections staff are responsible for more than 22,000 square metres of storerooms housing about 29 million specimens ranging in size from microbes to whales.

The collections are also diverse in the methods of preservation used; these include wet-preserved in alcohol (and formalin), skins, skeletal material, mounted skins and articulated skeletons, eggs, microscope slides, scanning electron microscope stubs, frozen tissue and video.

The Zoological collections represent a resource of infinite value to the scientists of the world; as such they need to remain physically accessible to visitors, and they need to become 'virtually' accessible to all via the Internet. The strengths of our collection lie in the historical coverage, diversity of species and geographical coverage."

Earth Sciences

Mineralogical collections

The mineralogical collections comprise approximately half a million specimens and consist of four main elements: minerals, including gems, (about 180,000 specimens), rocks, including building stones and ocean bottom deposits, (about 180,000 specimens), meteorites (about 3,000 specimens) and ores (about 30,000 specimens). The collection contains examples of about two thirds of all known mineral species, is worldwide in coverage and has a particular strength in British and European classical material and in specimens from Commonwealth countries.

The collections span a period from 1753 to present day. The mineral and economic collections have been greatly enhanced by the incorporation of the substantial collections of the British Geological Survey in 1985.

The minerals collection is arranged systematically with the exception of various stand alone collections, notably the Russell Collection of British Minerals and the Ashcroft Swiss collection which have specific terms of bequest to be kept as separate entities.

Palaeobiological collections

The palaeontological collections comprise approximately 9 million specimens including microfossils, macro-invertebrates, vertebrates and plants.

The geographical range is worldwide, with British material predominant and well represented, and extensive foreign material, especially from ex-colonial areas, and regions of economic importance.

The collections are arranged systematically.

Library and Archives

The Museum's Library houses over 1 million items, the world's largest collection of natural history literature and art, ranging from 1469 to the present day. The collection has a comprehensive coverage of most aspects of natural history and is international in content. Where possible it is arranged in systematic order.

In addition more than 4 million documents are preserved in the Archives, providing a unique resource of the institution's "corporate memory" containing a record of its activities and interaction with the world of natural history since the late 18th Century to the present day. The archives include manuscripts, typescripts, correspondence, photographs, artwork and printed ephemera. The Museum is recognised by the National Archives as a place of deposit for the records it creates.

Storage, preservation of materials and associated standards

The Collections Storage Programme started in September 2017, the aims of this programme are:

- To provide suitable storage for all collections with respect to physical and environmental conditions and security;
- To rationalise use of collections space and resources wherever possible;
- To act as an enabler to the wider masterplan and provide the opportunity to return gallery spaces to public use.

The Programme has been continuing to focus on the three strand approach for the future of collections storage. These remain as:

- A 'remote' offsite (outside the M25) storage facility for low-priority/high volume material;
- A 'local' offsite (inside the M25) facility for medium-priority material;
- An enhanced onsite facility at South Kensington for high-priority material

The Museum has several different options based on this approach which are being considered prior to submission of a Strategic Outline Case to DCMS in Autumn 2018 in advance of the Spending Review which is expected in the spring of 2019.

In broad terms, the science collections use three main ways of preservation: dry (usually pressed, pinned, boxed, slides, articulated skeletons, disarticulated skeletons, study skins or mounted), in fluid (primarily in alcohol, as Industrial Methylated Spirit), or at extreme low temperatures (for example, in freezers at -80 deg C).

The preservation of items in the collections is influenced by practical considerations and contemporary developments. The Museum is always open to new possibilities of exploiting information in specimens and the need to develop and exploit new methods of preservation. For example, cryopreservation, at extremely low temperatures, is increasingly being used for tissue samples and whole specimens, in order to preserve DNA and other bio-molecules.

The Museum does not maintain any cultures of live organisms as part of its permanent collections. The Museum, however, does maintain such cultures as part of ongoing, long-term research programmes.

The museum aims to maintain its collections in the best environmental conditions possible to aid long term preservation. These are guided for collections in storage and display by the Collections Storage Infrastructure Project (CSIP) environmental standards (2015). These standards comply as far as possible with PD5454:2012 and PAS 198:2012. In addition the museum actively protects its collections by applying a comprehensive Integrated Pest Management programme which complies with BS EN 16790:2016

The Museum is a Registered Museum under the Arts Council Museums Accreditation Scheme. In FY 2014-15 the Museum submitted its Museums Accreditation return to the Arts Council. In October 2015 the Museum received confirmation of its re-approval under the Accreditation Scheme.

The Museum is a Registered Archive under the National Archives Accreditation Scheme. The Museum was awarded Accredited Status on 15th March 2018.

Collections management policy

The Museum has a comprehensive series of policies covering all aspects of the collections and their management. They set the tone and framework for ensuring that the institution acts legally and ethically whilst aspiring to the highest professional standards. The policies were approved by the trustees in February 2014 and are due to be reviewed in the coming financial year (2018-2019).

Disposal is only permitted within the limits of the British Museum Act (1963), Museums & Galleries Act (1992), Human Tissue Act (2004), Holocaust (Return of Cultural Objects) Act 2009 and the NHM Collections Development Policy. Any money raised must be used to purchase items to be added to the collection.

Immunity from seizure

The Museum received Approved Status for immunity from seizure purposes on 9th April 2014. During the financial year 2017-18 no loans were made to the Museum which required immunity.

Human remains

The Museum was inspected by the Human Tissue Authority (HTA) in February 2016. The HTA has a statutory function to ensure compliance with relevant legislation, codes of practice and directions and conduct inspections of licenced establishments to examine the suitability of premises, practices and procedures, governance arrangements and to meet staff working under the authority of the licence. The Inspection Report will be publically available on the HTA website at <https://www.hta.gov.uk/establishments/natural-history-museum-london-12186>

During 2017-18 the Museum committed to return to Australia the remains of 30 individuals, to return 111 individuals to the Chatham Islands (R kohu) and 2 individuals to New Zealand. This return is undertaken through provisions in the Human Tissue Act 2004. Discussions are taking place with the relevant parties to facilitate the physical return of these individuals.

Access to the collections

Increasing access to the collections whether physically or virtually is one of the highest priorities for the Museum. The Museum is actively working towards greater access to its collections by providing opportunities to use, enjoy and learn from collections.

The opening of the second phase of the Darwin Centre in September 2009 enabled increased public engagement with both the Museum's science and collections.

Over 27,000 specimens are on public display and the Museum welcomed over 4.7 million visitors to its public galleries during 2017-18.

On average more than 7,000 scientific researchers spend 15,000 - 20,000 research days per year in the Museum's facilities.

Documentation and digitisation

The NHM hosts all its specimen collections intelligence in a single centralised system – known as a Collections Management System (CMS). The CMS is organic and will continue to evolve. Its value enhances the ability to recover reliable details about our collections, including their extensive attributes.

Historically each department was autonomous in choosing and managing its database systems and many had bespoke database systems. The centralisation of the independent systems was developed 10 years ago. Whilst this was highly successfully in delivering a single centralised CMS it is only in the past 5 years, with the advent of a clear digital strategy and funding that the NHM have been able to deliver such a system.

1,262,935 records were added to the catalogue in 2017 meaning there are now 7,494,357 catalogue records in the CMS detailing everything from elephants to echinoderms, gemstones to giraffes, rocks to rockhopper penguins. One of the challenges is making this vast quantity of information about the natural world accessible in a meaningful way to both specialists and the public.

There has been a focus this year on improving accessibility through the standardisation of geographical referencing information. Projects include:

- Georeferencing the Botanical Types – the Museum has digitised and scanned approx. 137,000 Botanical type specimens adding a geographical hierarchy and coordinates to the Botanical type localities for the most important specimens is making them more accessible to botanists globally.
- Georeferencing the iCollections Butterfly and Moths collections – by rationalising and creating accurate master site records geographical information relating to 183,000 Butterfly specimens and 500,000 Moth specimens is now available.
- Geo-referencing the micro-palaeontology slides - by providing Latitude and Longitude data, we can both map and model species distributions in the present day and in the past.

The Museum continued its Digital Collections Programme which aims to unlock important research information associated with our collections. This tranche will run until end March 2019, and key programme benefits are around collections access in accordance with our open by default policy. There are now over 3.9 million specimen records from our collection on the Data Portal (<http://data.nhm.ac.uk/>). Our digitisation efforts can be followed on Twitter at @NHM_Digitise.

Library and Archives continued its digitisation programme. Over 4 million pages of content are available in the Biodiversity Heritage Library www.biodiversitylibrary.org.

Specimens loaned

Under the British Museum Act 1963, the Museum can make loans for research as well as exhibition purposes. Loans are made in accordance with the Museum's Collections Access and Information Policy approved by the Trustees in February 2014. Each year Science group undertakes hundreds of research loans comprising many thousands of items which are used in research projects on every continent. Study of these items contributes to countless conference talks, books, monographs, papers and PhDs and is an essential way in which the Museum makes its collections available across the globe. During the year, 31,964 specimens were loaned towards research purposes.

Significant developments during 2017-18 and 2018-19

During the year approximately £39,000 was spent on collections purchases, below the capitalisation threshold. Additionally £8,000 was spent on acquisitions that have been added to the asset register. Collections valued at approximately £620,000 from the donation of private collections, have also been added to the Asset Register.

A number of smaller refurbishment projects have been taking place through the Museum Programme Group (MPG).

- The General Herbarium Listed Building Consent application has been approved by RBKC.
- A humidifier has been installed for DC1 (wet collections) to control relative humidity.
- The Anthropology store refurbishment has continued and a principal contractor appointed.
- The work on the expansion of Conservation Centre has continued. In order to facilitate this large fossil vertebrates have been relocated to a refurbished store room in the basement of the Palaeontology building.

From November 2017 the Library began a five year pilot to store low-use published serials from across all subject areas at the British Library's facility at Boston Spa, Yorkshire. Those titles had previously been stored at the Museum's South London store at Wandsworth. As part of the pilot Library and Archives will be monitoring the new operating model of curating and managing collections and providing an integrated access service to collections held across the Museum's three sites as well as at a third party remote site.

The NORMA project was completed at the end of March 2017. The project included the planning, design and building of a new facility in partnership with the BGS for the safe storage of Naturally Occurring Radioactive Material (NORM) from the mineralogical and petrological collections at the BGS and the NHM. For the NHM, the project included the assessment and reuration of all specimens within the NHM's radioactive store, and the transport of selected specimens to the BGS.

Items acquired through the Acceptance in Lieu Scheme

The Museum has received five volumes of natural history drawings from the Earl of Derby's collection donated through the Acceptance in Lieu Scheme. The volumes, all of which are of historic and artistic significance, enhance our holdings and complement the corpus of those artists whose works are already held by the Museum. The acquisition strengthens the position of the Museum as being a centre of excellence for the study and research of natural history art. The artists represented are:-

John Gould (1804-1881) and Henry Constantine Richter (1821-1902)

An album containing 56 watercolours and drawings (45 watercolours by Richter, 6 drawings by Gould and 5 credited to both artists), and 14 handcoloured lithographic proofs, for Gould's *A Monograph of the Macropodidae, or Family of Kangaroos* (1841-42), and Gould's *Mammals of Australia* (1863).

Ferdinand Lukas Bauer (1760-1826) and Franz Bauer (1758-1840)

An album containing sixty-one watercolours and drawings for Aylmer Bourke Lambert's *Genus Pinus*, fifty-four by Ferdinand Lucas Bauer, five by Francis Bauer and two by Sydenham Teast Edwards. The drawings and watercolours are the Bauers' virtually complete artwork for the plates in Lambert's *A description of the genus Pinus* (1803).

John Frederick Miller (1745-1796)

An album containing thirteen bodycolours of birds, mammals, Lepidoptera and plants by John Frederick Miller, eleven the original drawings for the plates in Miller's *Icones Animalium et Plantarum* (1776-85) and Miller and Shaw's *Cimelia Physica* (1796), and five watercolours of birds by William Lewin.

Thomas Davies (c.1737-1812)

An album containing 230 watercolours and drawings, including 164 watercolours of birds, fish and snakes by Thomas Davies (c.1737-1812), 16 of birds, fish, mammals and flowers by John Frederick Miller (1745-1796), 12 of waterbirds by Francis Barlow (1626-1702), 10 of fossils, marine life and mammals by Sarah Stone (c.1760-1844), and others.

Sarah Stone (1760-1844)

An album containing eighty-seven watercolours by Sarah Stone, including sixty-six of birds, one of birds' eggs, six of fossils, pebbles, marble and limestone, three of Lepidoptera, six of marine life, including shells and coral, and five of mammals.

John Gould (1804 – 1881) and Elizabeth Gould (1804 – 1841)

An album containing seventy-two watercolours and one hand-coloured lithographic proof; comprising forty-three watercolours of birds by John Gould and thirty-two watercolours of birds by Elizabeth Gould, three credited to both artists, of which thirty preparatory drawings for plates in Gould's "Birds of Australia" (1840-48), three for Gould's revised edition (1852-1854) of his first monograph "A Monograph of the Ramphastidae, or family of Toucans" (1834), four for Gould's "The Zoology of the voyage of HMS Sulphur" (1844), and four for Gould's "A Monograph of the Odontophoridae, or Partridges of America" (1844-50). The Museum has a particular strength in collecting work by women artists and this volume is particularly interesting in shedding further light on the contribution Elizabeth Gould made to science.

Archives Store flooding incident

The Museum experienced a flooding incident in the Archives store overnight on 9th to 10th April 2018, followed by a second smaller ingress of water in a different part of the Store on 9th May. The National Archives have been informed and made an informal visit on 12th June before writing a formal response. Initial condition checks on the items affected indicate that none have suffered irreparable damage, though acceleration of ink gall handwriting deterioration will cause loss of legibility of content that will be mitigated through urgent digitisation. Funds have been allocated to commence the conservation and digitisation.

11 Investments

	Market Value at 1 April 2017 £000	Additions £000	Increase/ (decrease) in market value £000	Disposals £000	Market Value at 31 March 2018 £000
Group					
CCLA COIF – Charities Investment Fund	1,489	2,500	(18)	–	3,971
	1,489	2,500	(18)	–	3,971
Museum					
UK investment in Subsidiary	300	–	–	–	300
	300	–	–	–	300

The Museum has a wholly owned investment of 300,000 fully paid Ordinary Shares of £1 in the Natural History Museum Trading Company Ltd, valued at £300,000 in the Museum balance sheet.

12 Trading Subsidiary

The Museum owns the whole of the issued share capital of The Natural History Museum Trading Company Ltd, a company registered in England and Wales. The Company's principal activities are retailing, catering, banqueting, touring exhibitions, consultancy, image sales, licensing and the organisation of commercial promotions.

Trading Company profits are paid to the Museum annually under Deed of Covenant.

A summary of the results of the subsidiary is shown below:

	Total 2018	Total 2017
	£000	£000
Income and expenditure		
Turnover	16,672	16,073
Cost of sales	(8,552)	(7,845)
Gross profit	8,120	8,228
Other expenses	(4,650)	(4,221)
Operating profit	3,470	4,007
Amount of payment under Deed of Covenant to the Museum	(3,470)	(4,007)
Loss on ordinary activities before taxation	–	–
Taxation	–	–
Retained in subsidiary	–	–
	2018	2017
	£000	£000
Balance Sheet		
Fixed assets (tangible and intangible)	526	734
Current assets	4,571	3,432
Current liabilities	(4,797)	(3,866)
Net assets	300	300
Share capital and reserves	300	300

13 Stock

	Group 2018 £000	Group 2017 £000	Museum 2018 £000	Museum 2017 £000
Finished goods and goods for resale	1,079	1,151	291	248
Work in progress	24	33	24	33
	1,103	1,184	315	281

14 Debtors

	Group 2018 £000	Group 2017 £000	Museum 2018 £000	Museum 2017 £000
Trade debtors	2,734	1,872	572	615
Other debtors	1,437	1,674	1,437	1,674
Amounts due from subsidiary undertaking	–	–	1,252	1,616
Prepayments and accrued income	3,720	3,197	2,928	2,602
	7,891	6,743	6,189	6,507

	Group 2018 £000	Group 2017 £000	Museum 2018 £000	Museum 2017 £000
Debtors include the following financial instruments:				
Gross trade debtors	2,803	1,941	581	624
Less: provision for impairment	(69)	(69)	(9)	(9)
	2,734	1,872	572	615
Other debtors	1,437	1,674	1,437	1,674
	4,171	3,546	2,009	2,289

As the Museum receives a substantial part of its income from DCMS, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex or play a significant medium to long-term role in the financial profile of the Museum. Trade debtors include amounts due to the Museum in foreign currency, mostly US Dollar and Euro, which are not significant to the overall financial risk of the Museum.

The age profile of non-impaired trade debtors is as follows:

	£000
Not due	2,248
Up to 30 days past due	374
30-60 days past due	27
Over 60 days past due	85
	2,734

15 Cash at bank and in hand

	Group 2018 £000	Group 2017 £000	Museum 2018 £000	Museum 2017 £000
Balances held with the Government Banking Service	8,218	17,820	8,218	17,820
Balances held with commercial banks and cash in hand	6,264	8,037	5,166	7,167
	14,482	25,857	13,384	24,987

Included in the above are balances in Euros equivalent to £957,000 (2017: £1,693,000) and US Dollars equivalent to £2,046,000 (2017: £3,314,000). These balances do not expose the Museum to any significant exchange rate risk as they are primarily held in connection with grants received from funders where onward payments are to be made in the same currency.

During the year, cash surplus to daily requirements was either deposited with the Government Banking Service or invested short term with leading European financial institutions. Cash must be invested and managed in accordance with the Museum's current Investment Policy which was approved by Trustees in February 2017. In the event of financial failure at a financial institution at which the Museum holds term deposits, the Museum would be exposed to the risk of losing the investments.

16 Cash held for third parties

Included in the cash balances (note 15) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy. The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2018 the cash balances held for third parties amounted to £102,000 (2017: £828,000).

17 Creditors: amounts falling due within one year

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade creditors	1,000	2,156	909	1,922
Other creditors	790	535	383	243
Taxation and social security	799	768	799	768
Deferred income	6,319	5,813	3,710	4,438
Accruals	3,866	5,086	3,403	4,725
DCMS loan falling due in less than 1 year	553	552	553	552
	13,327	14,910	9,757	12,648

Amounts classified above as trade creditors and other creditors fall within the definition of financial instruments. The Museum does not borrow funds on the money markets and accordingly financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex, play a significant medium to long-term role in the financial profile of the Museum or fall due in more than one year other than the remaining balance on the loan payable to DCMS (note 18). Trade creditors include amounts due by the Museum in foreign currency, mostly Japanese Yen, US Dollars and Euros, which are not significant to the overall financial risk of the Museum.

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Deferred income				
As at 1 April 2017	5,813	7,842	4,438	5,905
Deferred in current year	5,367	3,909	3,112	2,687
Released from previous year	(4,861)	(5,938)	(3,840)	(4,154)
As at 31 March 2018	6,319	5,813	3,710	4,438

Deferred income represents income received on contracts and performance related grants where the work required by the contract or the performance clauses of the grant has not been completed.

18 Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Museum 2018 £000	Museum 2017 £000
DCMS Loan falling due in less than 5 years	1,638	2,184	1,638	2,184
	1,638	2,184	1,638	2,184

In 2015-16, DCMS approved a loan to the Museum totalling £2,730,000 towards the development of the Members' and Patrons' Room. The first instalment of £305,000 was received in 2015-16 and the balance of £2,425,000 was received in 2016-17. The first repayment on the loan was made in April 2017. Interest is being accrued at a fixed rate of 0.89% on the first instalment and a fixed rate of 0.33% on the second instalment. Interest is based on the National Loans Fund published rates. Included in the creditor balances is accrued interest to date.

19 Commitments under operating leases

The Museum has entered into a series of operating leases for the use of premises and equipment in its operations. The minimum payments due under these contracts within each of the following periods are:

	Land and buildings £000	Other assets £000	Total 2018 £000	Total 2017 £000
Payments due within one year	124	99	223	129
in second to fifth year	235	163	398	74
over 5 years	–	–	–	49
	359	262	621	252

During the year, payments of £192,000 (2017: £174,000) were made under operating leases.

20 Statement of Funds

	At 1 April 2017 <i>(restated)</i> £000	Income £000	Expenditure £000	Gains/ (losses) £000	Revaluation/ indexation £000	Transfers £000	At 31 March 2018 £000
Restricted funds							
Scientific grants	–	9,427	(9,427)	–	–	–	–
Grant-in-Aid	95	–	(7)	–	–	–	88
Sponsored assets	88,865	2,189	(3,288)	–	8,105	(6,163)	89,708
Projects/other funds	1,125	1,126	(1,239)	–	–	–	1,012
Donations in kind	3,799	1,060	(200)	–	–	–	4,659
Equipment reserve	227	–	–	–	–	–	227
	94,111	13,802	(14,161)	–	8,105	(6,163)	95,694
General funds	8,656	67,200	(66,096)	(218)	–	(5,222)	4,320
	8,656	67,200	(66,096)	(218)	–	(5,222)	4,320
Unrestricted funds – designated							
Special funds	853	77	(14)	11	–	–	927
Shared services	–	1,885	(1,885)	–	–	–	–
Future scientific research	1,482	–	(935)	–	–	687	1,234
Future projects	3,601	–	–	–	–	(3,601)	–
Capital projects	448,168	–	(11,686)	–	32,066	14,299	482,847
	454,104	1,962	(14,520)	11	32,066	11,385	485,008
Permanent endowment funds	818	2,500	–	(29)	–	–	3,289
	818	2,500	–	(29)	–	–	3,289
Total funds	557,689	85,464	(94,777)	(236)	40,171	–	588,311

Restricted sponsored assets funds represent fixed assets, predominantly land and built infrastructure, previously funded by donations and bequests.

Restricted donations in kind funds represent items donated to the Museum, predominantly comprising donations to the Museum's collection (note 10). This includes donations under the Arts Council Acceptance in Lieu scheme.

Designated Special Funds are a collection of 17 funds which have arisen from various legacies and donations to the Museum, and which are consolidated and administered by the Museum, plus the Benevolent Fund. These are designated for work in line with the objectives of the Special Funds Trust and the Benevolent Fund, with due regard to the original aim of the funds.

Designated future scientific research funds are allocated to individual Museum science departments for investment in research projects.

Capital projects designated funds are unrestricted funds formally designated against unrealisable fixed assets such as the Waterhouse Building and the Museum's Collection, representing funds that are not readily available to the Trustees.

Permanent endowment funds represent funds donated to be held as capital. The income generated from these funds is to be applied in accordance with the donor's wishes. Endowment funds of £2,500,000 were received in year, the income of which is to be applied towards a post focusing on research into human evolution.

The transfer from sponsored assets reflects an asset brought into use in year which was funded from restricted funds. The use of the asset itself is not restricted.

The transfer from general funds to designated future scientific research funds reflects the decision of the Trustees to fund future scientific research from the Museum's own resources.

The transfer from future projects reflects the work on these projects in year meaning funds are no longer designated for future project spend.

The transfers between general funds and designated capital projects funds reflect the acquisitions, net of disposals, of those assets which have been funded from the Museum's own resources during the year.

21 Analysis of group net assets between funds

	Designated funds £000	General funds £000	Restricted funds £000	Permanent endowment funds £000	Total £000
Fund balances at 31 March 2018 are represented by					
Tangible and heritage fixed assets	481,757	–	93,407	–	575,164
Intangible assets	1,094	–	–	–	1,094
Investments	682	–	–	3,289	3,971
Current assets	1,650	15,865	5,961	–	23,476
Liabilities	(175)	(11,545)	(3,674)	–	(15,394)
Total net assets	485,008	4,320	95,694	3,289	588,311
Unrealised gains included in the above:					
On tangible fixed assets	262,917	–	34,978	–	297,895
Total unrealised gains at 31 March 2018	262,917	–	34,978	–	297,895

22 Net cash from operating activities

	Group 2018	Group 2017 <i>(restated)</i>	Museum 2018	Museum 2017 <i>(restated)</i>
	£000	£000	£000	£000
Net (expenditure)/income before gains and losses	(9,313)	(2,057)	(11,876)	(2,100)
Donated heritage assets	(620)	(3,799)	(620)	(3,799)
Investment income received	(111)	(95)	(34)	(41)
Interest paid	7	6	7	6
Depreciation	13,539	13,233	13,448	13,147
Amortisation	377	355	235	217
Loss on disposal of fixed assets	21	129	21	120
Decrease/(increase) in stock	81	156	(34)	(15)
Decrease/(increase) in debtors	(1,148)	(189)	318	(666)
Increase/(decrease) in creditors	(1,583)	(678)	(2,891)	(128)
Net movement in provisions	(67)	(70)	(67)	(70)
Net cash from operating activities	1,183	6,991	(1,493)	6,671

23 Provision for liabilities and charges

The Museum has operated an early retirement and severance scheme from 1990-91 which gives retirement benefits on redundancy terms to qualifying employees. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. Provision is made for these costs in the year of retirement of the employee and released annually to cover payments made until the employee reaches normal retiring age. The provision covers a period to 2021.

The Museum employs a number of staff on fixed term appointments, the end date of which is usually determined by a funding agreement for the post. Under employment legislation, the Museum is liable to pay redundancy costs on the termination of these appointments unless the appointment is extended or alternative employment is offered. Provision is made for these costs when the contract is within 3 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

The equipment reserve provision relates to an excess energy savings pool which is derived from the energy services contracts. The provision is available to be released to the Museum to underpin any shortfall in the energy savings which the contractor is required to deliver each year over the life of the contract. Any balance remaining at the conclusion of the contract is shared equally between the contractor and the Museum.

Detail of these provisions and the movement on them is as follows:

Early Retirement

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Balance at 1 April 2017	188	292	188	292
Payments against provision	(84)	(111)	(84)	(111)
Adjustment to existing provision	(4)	7	(4)	7
Balance at 31 March 2018	100	188	100	188

Redundancy Provision

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Balance at 1 April 2017	21	44	21	44
Addition to provision	35	21	35	21
Payments against provision	(21)	(44)	(21)	(44)
Balance at 31 March 2018	35	21	35	21

Equipment Reserve Provision

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Balance at 1 April 2017	287	230	287	230
Addition to provision	7	57	7	57
Balance at 31 March 2018	294	287	294	287

Total Provision for liabilities and charges

	Group	Group	Museum	Museum
	2018	2017	2018	2017
	£000	£000	£000	£000
Balance at 1 April 2017	496	566	496	566
Addition to provision	42	78	42	78
Payments against provision	(105)	(155)	(105)	(155)
Adjustment to existing provision	(4)	7	(4)	7
Balance at 31 March 2018	429	496	429	496

24 Capital commitments

Outstanding capital commitments at 31 March 2018 amounted to £1,090,000 (2017: £4,312,000).

25 Commitments under energy services and energy management services contracts

i) On the 19th July 2006 a contract was signed between the Natural History Museum and Vital Energi Utilities Limited for the provision of energy and energy management services at the Natural History Museum and the Victoria and Albert Museum. Under the contract Vital Energi Utilities Limited designed, supplied, installed, and commissioned plant and equipment to provide co-generation of electrical power and heating, and chilling services. They also are responsible for the on going operation and maintenance of the plant and equipment for a 15 year period commencing on 19 December 2006. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment whereby the monthly fee payable to Vital Energi Services Limited is charged to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 102.

In addition there is a separate interface agreement between the Natural History Museum and the Victoria and Albert Museum which governs the relationship between them in relation to the energy services and energy management services contract.

ii) On the 22nd October 2010 a contract was signed between the Natural History Museum and Total Gas Contracts Limited for the provision of energy and energy management services at the Museum's sites at South Kensington, Wandsworth and Tring. Under the contract Total Gas Contracts Limited designed, supplied, installed and commissioned plant and equipment to deliver electrical power, lighting, heating, low temperature hot water, and chilling services. In 2017 the contract was sold by Total Gas Contracts Limited to Cynergin Contracts Limited. All terms within the contract remain the same. Cynergin Contracts Limited are responsible for the on going operation and maintenance of the plant and equipment for a 15 year period commencing on 31 October 2011. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment whereby the monthly fee payable to Cynergin Contracts Limited is charged to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 102.

Future minimum commitments under the contracts at 31 March 2018 amounted to £6,431,000 (2017: £7,282,000).

26 Losses and special payments

There were no losses or special payments made during 2017-18 (2017: nil).

27 Related party transactions

The Natural History Museum is a non-departmental public body of DCMS.

DCMS and it's arm's length bodies are regarded as related parties. During the year the Museum has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department. These are as follows:

Grant-in-Aid (note 3) was received totalling £41,815,000 (2017: £49,115,000).

During the year a grant of £100,000 was received from DCMS (2017: nil).

No loan instalments were received from DCMS during the year (2017: £2,425,000). At 31 March 2018 there was an outstanding balance to DCMS of £2,191,000 (2017: £2,736,000) including accrued interest for the year ending 31 March 2018.

Income relating to the supply of power to the Science Museum Group totalled £657,000 (2017: £626,000). At 31 March 2018, there was a balance of £129,000 due from the Science Museum Group in respect of these services (2017: £105,000).

Income relating to the supply of heat and power to the Victoria and Albert Museum totalled £1,156,000 (2017: £1,111,000). At 31 March 2018, there was a balance of £226,000 due from the Victoria and Albert Museum in respect of these services (2017: £150,000).

Payments of £105,000 (2017: £97,000) were made to the Victoria and Albert Museum for security management services. At 31 March 2018, nothing was owed (2017: £15,000) in respect of these services.

Payments were made to the British Museum of £183,000 (2017: nil) in respect of research projects. No income was received from the British Museum during the year (2017: £1,000).

Lottery grant income of £126,000 was received from the Heritage Lottery Fund (2017: £118,000).

No payments were made to the Imperial War Museum during the year (2017: £20,000).

Payments of £27,000 (2017: £2,000) were made to the British Library in respect of transfers and rental.

Payments of £300 (2017: nil) were made to the Horniman Public Museum and Public Park Trust, of which Clare Matterson is a Trustee, in respect of conservation work.

Sir John Beddington CMG FRS is president and Sir Michael Dixon is a Fellow of the Zoological Society of London. Payments of £27,000 (2017: £10,000) were made in relation to research project costs. Income of £3,000 (2017: £2,000 for staff costs) was received for replacement of consumables.

Simon Patterson is a board member at Dell. Payments of £239,000 (2017: £226,000) were made for the supply of computers and accessories.

Sir John Beddington CMG FRS is chair of Rothamsted Research. No transactions took place during the year (2017: £15,000 income for science equipment).

Professor Stephen Sparks CBE FRS is a member of the Council of the Royal Society, Professor Dame Janet Thornton DBE FRS is a Trustee, and Sir John Beddington CMG FRS is Chair of the Audit Committee. No transactions took place during the year (2017: £8,000 paid in respect of journal subscriptions and project staff subsistence).

Professor John Holman is the Adviser in Education at the Wellcome Trust. Payments of £1,000 were made during the year (2017: nil).

Sir Michael Dixon is a member of Court at the University of Reading. During the year the Museum received £1,000 in respect of visitor fees (2017: £1,000 in respect of catering).

Sir Michael Dixon is a member of Court at Imperial College. During the year the Museum worked with Imperial College on a number of scientific projects.

Neil Greenwood is a Board member of the London Universities Purchasing Consortium. Payment of £6,000 (2017: £6,000) was made in respect of membership.

Professor Ian Owens was a Trustee of the National Biodiversity Network (to February 2018). Payments of £400 were made during the year for conference fees (2017: Nil).

Sir Michael Dixon is Co-Chair of the Exhibition Road Cultural Group. Payment of £25,000 was made in respect of membership (2017: £24,000). Income of £1,000 (2017: nil) was received for computer equipment.

Sir Michael Dixon is a Fellow of the Linnean Society of London. Income of £200 (2017: £100) was received in respect of student conference sponsorship.

Christopher Gilligan CBE is professor of Mathematical Biology at Cambridge University. Income of £1,000 was received in respect of workshop fees (2017: £1,000).

Professor Dame Janet Thornton DBE FRS is part of the GSK Data Advisory group. The museum received a payment of £24,000 (2017: £24,000) for membership.

Professor Dame Janet Thornton DBE FRS and Professor Stephen Sparks CBE FRS are members of the European Research Council. The Natural History Museum is a participant in Council-funded research projects entitled 'Colonisation and cultural diversification in unfamiliar landscapes' and 'Analysing diversity with a phenomic approach: trends in vertebrate evolution'.

Dame Frances Cairncross DBE FRSE is chair of University Court, Heriot Watt University. Payment of £2,000 was received from the university (2017: nil) in respect of DNA sequencing.

Dame Frances Cairncross DBE FRSE serves on the Board of Trustees of the Natural History Museum Development Trust. As at 31 March 2018 there were balances of £4,000 (2017: £4,000) due from the Trust in respect of administrative services.

28 Post Balance Sheet Events

There are no post balance sheet events to report.

The annual report and accounts were approved and authorised for issue by the Accounting Officer and Trustees. The authorised date for issue of these accounts is the date on which the accounts are certified by the Comptroller and Auditor General.

