

# Natural History Museum Annual Report and Accounts 2010-2011

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

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## Trustees' Annual Report

### Reference and administrative details

The Natural History Museum is a non-departmental public body, sponsored by the Department for Culture, Media and Sport, and is an exempt charity as listed in Schedule 2 of the Charities Act 1993.

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

**Board Members** The Board of Trustees comprises the following:

	<b>Appointment period</b>	<b>Appointed by</b>
Oliver Stocken (Chairman) (b) (c)	To 31 December 2013	Prime Minister
Daniel Alexander QC (b)	To 11 May 2014	Co-opted
Professor Sir Roy Anderson FRS FMedSci	To 31 March 2012	Co-opted
Louise Charlton	To 30 April 2014	Prime Minister
Professor David Drewry	To 5 May 2012	Prime Minister
Professor Christopher Gilligan	To 17 May 2015	Prime Minister
Professor Alex Halliday FRS (b)	To 28 February 2014	Royal Society
Ian Henderson CBE FRICS	To 2 February 2013	Co-opted
Dr Derek Langslow CBE (a)	To 5 May 2012	Prime Minister
Professor Georgina Mace CBE FRS	To 5 February 2012	Prime Minister
Sir David Omand GCB (Chairman of the Audit and Risk Committee) (a)	To 19 January 2014	Prime Minister

**Notes:**

- (a) Member of the Trustees' Audit and Risk Committee
- (b) Member of the Trustees' Remuneration Committee
- (c) Member of the Trustees' Nomination Committee
- (d) At the date of signing the financial statements there was one vacancy on the Board with a provisional appointment awaiting approval

**Museum Director and Accounting Officer** Dr. Michael Dixon

**Bankers** National Westminster Bank plc, 186 Brompton Road, London, SW3 1HH.

**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

**Investment Advisors** JP Morgan Fleming Asset Management, 10 Aldermanbury, London EC2V 7RF

**Accounts Preparation** The annual report and accounts have been prepared in accordance with the accounting policies set out in Note 1 (page 30). They comply with the Statement of Recommended Practice 2005 on 'Accounting and Reporting by Charities', except where specified, the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Olympics, Media and Sport, with the approval of H.M.Treasury.

## Structure, governance and management

<b>Status</b>	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 Schedule 2 of the Charities Act 1993.
<b>Statutory duties</b>	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.
<b>The Board of Trustees</b>	<p>The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Culture, Olympics, 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 or co-opted are appointed by open competition.</p> <p>During the year the following served as Trustees:            Oliver Stocken (Chairman)            Daniel Alexander QC            Professor Sir Roy Anderson FRS FMedSci            Louise Charlton            Professor David Drewry            Professor Dianne Edwards CBE FRS – retired 6 February 2011            Professor Alex Halliday FRS            Ian Henderson CBE FRICS            Dr Derek Langslow CBE            Professor Jacquie McGlade – retired 30 June 2011            Professor Georgina Mace CBE FRS            Sir David Omand GCB</p> <p>Trustees are initially appointed for a four year period and can serve a second equal term before standing down.</p> <p>There are three sub-committees of the Board of Trustees:</p> <ul style="list-style-type: none"> <li>● Audit and Risk Committee</li> <li>● Remuneration Committee</li> <li>● Nominations Committee</li> </ul> <p>All Trustees attend a one day induction and training course, and are issued with documents relating to the Museum's corporate governance framework.</p> <p>The Board meets generally four times a year, and in addition strategy days are arranged with at least one taking place annually.</p> <p>The Board of Trustees carries out an annual review of its effectiveness.</p> <p>The Trustees' register of interest is available for inspection on application.</p>
<b>Organisational structure</b>	During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board which was established on 1 April 2010, replacing the Directors Group. This operates under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.

The Executive Board reflects the functional operation of the Museum and during the year consisted of:

Director of the Museum	: Dr. Michael Dixon
Director of Public Engagement	: Sharon Ament
Director of Finance and Corporate Services	: Neil Greenwood
Director of Science	: Professor Richard Lane

Professor Richard Lane retired on 31 May 2011.

## **Staff and organisation**

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.

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.

The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.

During the year the Museum employed 1,002 (average full time equivalents) of which 657 were on permanent contracts.

The average days sickness per year for permanent and fixed term contract staff was 6.66 days per full time equivalent (2010: 6.54).

Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 6 to the Accounts).

In May 2011 the Museum was re-awarded the Investors in People Standard.

A volunteer force of c400 people assisted the Museum during 2010-2011.

## **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.

## **Risk management**

The Museum has comprehensive risk management processes overseen by the Audit and Risk Committee.

The Executive Board has specific responsibility for:

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

A statement of key risks and the risk profile is considered and determined by the Board of Trustees on an annual basis, as advised and informed by the Audit and Risk Committee and the Director. During the year the Director reports significant changes and developments in the risk profile to the Audit and Risk Committee and the Board of Trustees.

The current major risks being managed include:

- External funding for the Museum's Science activity is more difficult to secure;
- The Museum's commercial businesses are negatively affected by the economic climate;
- The Museum fails to develop a change management plan, and robust succession plan, in order to meet the challenges of the new strategic plan;
- Investment in the web presence for the Museum's science may be inadequate for a major international research organisation and for public engagement with science;
- The protection of the Museum's collections is not maintained adequately;
- The visitor experience and crowd management of visitors is compromised because of large visitor numbers;
- The Museum's commercial and other ambitions are limited by town planning restrictions;
- The government introduces changes to the administration of museums and other arm's length bodies that materially affects the Museum's operations;
- The Museum fails to develop a robust financial plan in response to the challenging economic environment; and
- Outsourced contracts are not managed effectively.

In addition the Museum manages a long term inherent risk in relation to security.

**Data and information risk**

Risks to data and information held by the Museum are owned and managed by individuals, responsible as information asset owners, and 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 2010-11 which required reporting to the Information Commissioner's office.

**Relationship with DCMS**

As a non-departmental public body the Museum is sponsored by the Department for Culture, Media and Sport. This relationship is formalised via the Funding Agreement, a Management Statement and a Financial Memorandum.

On 1 June 2010 the Secretary of State for Culture, Olympics, Media and Sport was appointed 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;
- The Natural History Museum Benevolent Fund; and
- The Cockayne Trust.

## Objectives and Activities

**Mission** The Natural History Museum's mission is to maintain and develop its collections and use them to promote the discovery, understanding, responsible use and enjoyment of the natural world.

**Objectives** The Natural History Museum is one of the world's great institutions and is the guardian of the national collection of over 70 million 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, the Museum actively works with its collections to meet the needs of people today and in the future.

The Museum uses its collections in scientific research programmes of internationally recognised excellence, thereby generating new knowledge that is both scientifically important and, in many cases, of great practical value. 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 educational and enjoyable 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.

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 research and collections of the Natural History Museum's Bird Group.

The Museum is committed to excellence and in order to contribute fully to the imperatives facing the natural world the Museum has a corporate plan which sets high ambitions to be realised over the period 2011-16. This is enshrined in the Museum's vision.

### The Natural History Museum Vision

Our vision is that we will be widely acknowledged as the world's leading natural history museum, valued by our stakeholders as a major scientific research institution and a centre for innovative public engagement with science and the natural world through our collections and expertise.

This will be achieved by delivering under three cross-cutting strategic themes:

- Developing knowledge of the natural world;
- Inspiring sustained engagement with the natural world;
- Managing resources; investing in infrastructure.

### Achievements and activities during 2010-2011

Building on the successful opening of Darwin Centre Phase Two in Autumn 2009 the Museum continued to attract record visitor numbers during 2010-11. Supported by the special exhibition programme, permanent galleries and the programme of public events, total visitors to South Kensington and Tring amounted to 4.812m which was a significant increase of 0.424m (10%) compared with 2009-10, and was a record year since the reintroduction of free admission in 2001.

The main special exhibitions at South Kensington were The Deep Sea which focussed on life in the depths of the oceans, Butterfly Explorers which included a tropical butterfly house and which opened on the east lawns in April 2010, the Veolia Environnement Wildlife Photographer of the Year from the autumn, and Sexual Nature, exploring nature's intimate secrets opened in February 2011. The main exhibitions at the Natural History Museum at Tring were The Thames Whale Story, Wildlife Photographer of the Year, and Big Bugs, showing examples of the world's most enormous insects and arachnids from the Museum's collection.

Within the total visitors figure were 1.168m children (2010: 1.164m) and based on site surveys, there were an estimated 0.313m visitors aged 16 and over from lower socio-economic groups (2010: 0.430m).

The number of children in organised educational programmes both on-site and outreach amounted to 0.474m which is an increase of 14% on the figures for 2009-10 (0.416m) reflecting a growth in school bookings and the opportunities in the Darwin Centre. This included the launch in the autumn of the Darwin Centre's interactive film narrated by Sir David Attenborough, *Who do you think you really are?*. A key component of the outreach programme is Real World Science where the Museum coordinates and leads a national partnership with other UK museums to provide out of class room learning, resulting in over 21,000 contacts in 2010-11.

A major gallery renovation, *Images of Nature*, was completed in January, showcasing the Museum's natural history artwork and imagery.

The website continued to attract a high level of visitors with almost 7.4m unique user visits to the site (2010: 7.5m). This was underpinned by the continuing development of NaturePlus, an area on the Museum's website where virtual visitors can engage in surveys, forums and blogs with Museum's scientists and science, and explore further with the use of a NaturePlus card containing material saved during their visit to the Museum. In addition Species of the Day continues to prove popular, and a number of online surveys including the Urban Tree Survey and the Cherry Tree survey were launched in the year.

In September an EU funded event *Science Uncovered* took place in the Museum, attracting 7,000 public visitors to an evening of extensive contact and interaction with the Museum's scientific activities and staff. The Museum also continued to operate *Dinosnores* events where almost 300 children and accompanying adults sleep over in the main hall, and also introduced a number of other evening events such as *Night Safaris* and evening discussions.

A key focus for 2010-11 was the Museum's contribution to the 2010 International Year of Biodiversity through the operation of the IYB-UK secretariat and a range of activities including a day of celebratory events on International Day for Biological Diversity on 22 May. In addition the Museum organised and hosted the Big Nature debate which explored public concerns ahead of the Convention on Biological Diversity : Nagoya Conference.

On the collections, curation and research side, the Museum continued to produce high quality science, attract funding for collections-based activities and research, and participate in international initiatives, including:

- In collaboration with 16 other partners the Museum secured an EU grant of c€5 million for ViBRANT (Virtual Biodiversity Research and Access Network for Taxonomy) which focuses on integrating several major EU funded infrastructures to construct a Virtual Research Environment (VRE) for the taxonomic and systematic community. It will help steer the collective output of biodiversity science, making it more transparent, accountable and accessible. The project builds on a system developed within the Framework Programme 6 funded European Distributed Institute of Taxonomy (EDIT), specifically Scratchpad, and is a collaboration with the LifeWatch initiative. ViBRANT is integrated with a range of global biodiversity initiatives in which the Museum actively participates including the Encyclopedia of Life, the Global Biodiversity Information Facility (GBIF), the Consortium for the Barcode of Life, the National Center for Biotechnology Information (NCBI) Genbank and the Biodiversity Heritage Library;
- The movement to identify a diagnostic DNA sequence for each species has gathered pace since the idea was first proposed about seven years ago. This approach is increasingly making taxonomic work available to a much wider

audience than the 'traditional' approach and has the potential to provide a lifeline to the future development of taxonomy in biology. The Museum was a founding member of the Consortium for the Barcode of Life, hosted the first scientific conference on the subject and has now set up a pipeline to cover the process from specimen to a verified DNA barcode sequence on an international reference database. The Museum will be able to produce 20,000 sequences a year, the second largest producer of DNA barcodes in the world;

- QNano – the Museum is a core partner in a European consortium that has been awarded €7M by the European Commission to run a major infrastructure facility for nanosafety research;
- Following the House of Lords Science and Technology Committee report in March 2009 on the decline in taxonomy in the UK and its potential impact on biodiversity sciences and policy, NERC commissioned a review by the Museum on the current status of taxonomy in the UK which was published in 2011;
- Professor Chris Stringer (Palaeontology) has produced a final report for the second phase of the project The Ancient Human Occupation of Britain and its European Context (AHOB2): 2006-2009, funded by the Leverhulme Trust. The project aimed to place the results of the early occupation of Britain in a European context, investigating changes in climate, landscape and biota over the last million years and using this record as the backdrop for understanding human presence and absence, together with developments in technology and the evolution of humans;
- The Third International Palaeontological Congress (IPC3), a major international scientific meeting hosted by the Museum and Imperial College, took place in the summer 2010;
- The Museum hosted the 'Beyond 2010' conference in November focusing on 'biodiversity monitoring and research; current practice and future needs'. Museum staff gave presentations on citizen science programmes and the role of the public in monitoring biodiversity. The conference highlighted the importance of long-term monitoring and the role of volunteer recording;
- A new Centre for Arts and Humanities Research has been established in the Museum which aims to foster the use of our collections (books, manuscripts, field notebooks, maps, specimen data labels) by academic researchers in the humanities and arts. Its development has been based on an AHRC funded research project supported by Kingston University called 'New Perspectives' which revealed the rich resource of research material in the Museum's collections. The Centre which will be launched formally in July 2011, has already been successful in collaboration with the Royal Botanic Gardens, Kew in securing funding from the World Collections Programme to further develop the Wallich and Indian Natural History Project;
- Since 2006 the NHM has had a collaborative agreement with the Jurassic Coast World Heritage Site in Dorset. Activities during 2010-11 included Museum staff across all disciplines delivering a programme of activities at the Lyme Regis Fossil Festival, and teaching pilot courses with the Field Studies Council;
- The Angela Marmont Centre for UK Biodiversity, the Museum's hub for amateur naturalists, enthusiasts and societies studying British wildlife, and including the Museum's enquiries and identification service was launched in May;

- Following on from the award of £11.7m from the Big Lottery to a consortium in August 2007, spread over a 5 year period, the Museum continued to play a significant role in Open Air Laboratories Network (OPAL), an England-wide initiative designed to encourage the public to engage with some of the country's leading scientists while becoming involved in environmental projects tailored to their region;
- The Trustees of the Museum decided to return the remains, collected in the 19th Century, of 138 people to the Torres Strait Islands in response to a request from communities and the Australian Government. A process of collaborative discussion and engagement will accompany the return in 2011-12;
- The Museum acquired the Hedqvist collection of hymenopteran insects;
- There was partial recovery of the 299 bird skins which were stolen from the Natural History Museum at Tring during 2009. More than half the stolen specimens were recovered but many lacked the all-important labels for determining their scientific importance;
- The Annual Science Lecture Nature, Nurture or Neither? The view from the Genes was delivered by Professor Steve Jones, Professor of Genetics, University College London;
- 609 peer reviewed papers were published;
- Approximately £9.5m scientific grant funding (including value to collaborators) was secured from 19 major awards. The value to the Museum from these awards amounted to £3.3m (2010: £4.8m);
- Approximately 13,800 scientific visitor days were recorded, including those visiting under the Synthesys project;
- Over 15,000 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- An expenditure review which reduced the Museum's core operating expenditure by £2.3m p.a was completed in the year in preparation for future reduced levels of grant-in-aid;
- Significant fire precautions work was completed at South Kensington;
- Work commenced on the collections storage infrastructure programme which will significantly enhance collections storage conditions and provide a molecular collections storage facility;
- An ancient DNA laboratory was completed;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001;
- The Museum was re-awarded OHSAS 18001 (2007) BSI certification which is the internationally recognized assessment specification for occupational health and safety management systems.

The Museum won the Best London Free Experience and Best Family Fun categories at the Evening Standard's People's Choice Awards, and the Darwin Centre received a Civic Trust Award, given for outstanding contribution to the quality and appearance of the environment, and for the benefit of the community.

Achievement against performance indicators for 2010-11, including core indicators as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

## **Plans for 2011-2012**

The main special exhibitions at South Kensington are Sensational Butterflies which includes a butterfly house on the east lawns and the Age of the Dinosaur both opening in April, the Veolia Environnement Wildlife Photographer of the Year from the autumn, and from January, Scott's Last Expedition focussing on human endeavour and struggles for survival, and celebrates the expedition's scientific achievements.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to increase the proportion of research that is published in recognised titles as well as competing for and increasing peer reviewed funding. New approaches to web based taxonomy will continue to be developed, in particular by contributing to ViBRANT.

For the collections, developments plans will be completed for each of the collection departments which will underpin an overall collections development strategy. This will be complemented by a collections standards project supplemented by the embedding of a collections management competency framework.

The Museum will continue to play an active and significant role in international partnership projects to digitise, share and make electronically available biodiversity, in particular via the Biodiversity Heritage Library which focuses on published literature as part of the Encyclopaedia of Life project.

There will be continued investment in galleries including in the central hall area, in the completion of collections storage projects and other core estate infrastructure at both South Kensington and Tring, and in digital infrastructure.

## Financial Review 2010-11

### The Natural History Museum

The Museum had a successful year financially which enabled increased expenditure on charitable activities, and a core level of capital expenditure, while accommodating a reduction in grant in aid funding. This is demonstrated by the net incoming resources for the General Fund before transfers which amounted to £7.448m.

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Natural History Museum Trading Company, the Special Funds Trust, the Cockayne Trust and the Benevolent Fund, the overall level of funds decreased by £11.5m from £473.3m to £461.8m. This reflects a loss on indexation of fixed assets of £8.3m and a deficit of £3.2m on net incoming resources.

The total incoming resources for the year reduced by £0.7m to £77.1m (2010: £77.8m) of which £48.7m (2010: £51.2m) was grant-in-aid, £4.2m (2010: £3.3m) was restricted donations and unrestricted (including lottery funding) and sponsorship. The total reduction on incoming resources also takes account of increases in income from trading activities (£0.1m), scientific grants and contracts (£1.2m) and from admissions from the special exhibition programme and membership (£0.379m).

The total resources expended amounted to £80.4m (2010: £77.8m). The increase of £2.6m was attributable to a number of significant factors – an increase of £1.4m to £12.4m in total depreciation charges, reflecting the full year impact of Darwin Centre Phase Two, and the costs (c£3m) of a redundancy and early retirement programme completed in year. Support costs excluding support costs depreciation decreased by £0.9m to £13.0m.

Within the total fund balance of £461.8m, unrestricted designated funds which largely represents the non-donated estate (including most of the South Kensington site) and funds which the Museum has invested in capital assets and programmes, have decreased by £11.3m from £395.5m to £384.2m, reflecting the indexation of fixed assets, capital expenditure and depreciation, though this also includes £2.6m (2010: £1.7m) of designated funds for future, mostly capital projects and £0.9m (2010: £1.0m) for future scientific research projects. The balance on the General Fund has increased by £0.9m to a surplus of £3.6m (2010: £2.7m). The restricted fund balance has decreased from £74.5m to £73.3m reflecting capital expenditure funded by donations and donation funding received for future capital expenditure, offset by the impact of indexation and depreciation.

Capital expenditure for the year amounted to £6.4m (2010: £16.3m) which included the Images of Nature Gallery, a digital asset management system, lift replacements, completion of fire precautions work, and the commencement of collection storage projects. Tangible fixed assets and Heritage assets at 31 March 2011 amounted to £450.3m (2010: £464.7m) which predominantly represents land and buildings, and also includes £1.5m of capitalised collections purchases. The decrease takes account of the decrease of £8.3m arising from the indexation.

The net current assets at 31 March 2011 amounted to £11.8m (2010: £7.8m), including a cash balance of £21.2m (2010: £16.7m). This includes restricted funds amounting to £2.7m held for specific projects, funds to meet other capital expenditure plans and significant amounts received for scientific grants, including for EU-funded projects, which will be dispersed during 2011-12.

### 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 banqueting, catering, brand management, the picture library, touring exhibitions, the Wildlife Photographer of the Year Competition, and consultancy.

The net operating profit for 2010-11 amounted to £2.5m (2010: £2.8m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2010-2011 this amounted to £2.5m (2010: £2.8m).

The results of the Trading Company are included in the Museum's consolidated accounts and are summarised in Note 10.

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

**The Natural  
History Museum  
Special Funds  
Trust**

On 15 February 2000 the Charity Commissioners for England and Wales gave approval for the establishment of a scheme for the administration of a number of individual funds previously held within The Natural History Museum Special Funds. The scheme is governed by a charity known as The Natural History Museum Special Funds Trust which was established under a charitable trust deed dated 3 November 1999.

The Trust has powers to apply the income of the fund to the furtherance of the work of the Natural History Museum for which provision is not made from public funds, and disbursements are made in accordance with a policy approved by the Science Group of the Natural History Museum which takes into account the objectives of the original funds.

During the year the fund received income amounting to £33.2k (2010: £139.4k) and incurred expenditure of £79.6k (2010: £62.6k). At 31st March 2011 the value of the Fund amounted to £1.235m (2010: £1.241m) including investments valued at £1.138m (2010: £0.998m) and cash of £0.099m (2010: £0.245m).

**The Cockayne Trust**

The Trustees of the Natural History Museum hold a collection of British lepidoptera (known as the Rothschild – Cockayne – Kettlewell collection) which consisted, in part, of a collection donated by Edward Alfred Cockayne. On 27 May 1951 a trust deed was executed, establishing the Cockayne Trust, whereby Cockayne, by means of cash investments and other donated assets, would make financial provision for the purpose of improving the collection. In addition the fund may be used for the promotion, encouragement and study of British lepidoptera and for Cockayne research fellowships.

During the year the fund received income amounting to £5.1k (2010: £5.1k) and incurred expenditure of £9.5k (2010: £0.2k). At 31st March 2011 the value of the Fund amounted to £163.0k (2010: £162.6k) including investments valued at £118.9k (2010: £113.9k) and cash of £44.3k (2010: £48.7k).

**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 2011 was £29.9k (2010: £29.1k).

**The Funding Agreement**

The Museum has a Funding Agreement with the Department for Culture, Media and Sport which sets out what the Government expects the Museum to deliver for the grant-in-aid it receives. The previous Funding Agreement expired on 31 March 2011 and a new Funding Agreement covering 2011-12 only was agreed in May 2011. A revised Funding Agreement model is due to be developed in 2011-12.

The grant-in-aid for 2010-11 was the final year of the funding allocated for the spending review period 2008-11 though the amount originally allocated was subsequently reduced. For future years the grant-in-aid is based on the outcome of the Government's Comprehensive Spending Review in October 2010.

The core grant-in-aid which the Museum is to receive over the period 2010-11 to 2014-15 is as follows:

£m	2010-11	2011-12	2012-13	2013-14	2014-15
Resource Grant-in-Aid	45.839	44.404	43.583	42.926	42.793
Capital Grant-in-Aid	2.747	2.076	2.177	2.278	2.379
Total	48.586	46.480	45.760	45.204	45.172

### Reserves Policy

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves, in particular the unrestricted General Reserve, (i.e. those that are not restricted or tied up as fixed assets) 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 which is subject to a funding agreement with the Department for Culture, Media and Sport, and also self-generated trading income, scientific grant income and sponsorship, all of which are volatile.

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 November 2010 a minimum level of General Fund of £2.5m. At the 31 March 2011 the General Fund amounted to £3.633m.

Trustees also designate funds for specific projects and activities. Designations currently include funds for capital expenditure projects and 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 Financial Memorandum with the Department for Culture, Media and Sport. This states that the Museum may not use grant-in-aid to make any speculative investments without prior written approval of the Department.

Equity-based investments are only held by the restricted funds with the aim to achieve an appropriate balance between income generation and capital growth particular to the fund.

The Museum invests cash funds identified as surplus to short term working capital requirements on short to medium term facilities in accordance with a policy approved by the Trustees which is reviewed biannually. The policy addresses liquidity, credit, interest rate and procedural risk.

### Environmental Policy

An Environmental Management Policy and an Energy Management Policy were approved by the Trustees in November 2005.

Under the Environmental Management Policy the Museum is corporately committed to continual improvement in the environmental management of its core business activities.

Under the Energy Management Policy the Museum is corporately committed to continual improvements in energy efficiency, finding ways of reducing the Museum's energy consumption and carbon dioxide emissions to the lowest practical levels, while maintaining the required operational needs of the organisation.

The Museum continued to achieve accreditation to the international environmental standard, ISO 14001.

<b>Payment of creditors</b>	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. In 2010-11 in excess of 95% of creditors were paid within the agreed period (2009-10: in excess of 95%).
<b>External Auditors</b>	<p>The fees paid to the National Audit Office (NAO) for audit services for the Museum and Consolidated accounts which are included in Note 5 amounted to £49k.</p> <p>The fees paid to Kingston Smith LLP for the provision of audit services for the subsidiary accounts amounted to £23k.</p>
<b>Disclosure of relevant audit information</b>	<p>At the time of approving the financial statements:</p> <ul style="list-style-type: none"><li>● so far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the external auditors are unaware; and</li><li>● 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.</li></ul>

Oliver Stocken  
Chairman of the Board of Trustees

Dr. Michael Dixon  
Director and Accounting Officer

5 July 2011

## Appendix 1

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

Performance indicator	10-11 Outturn	09-10 Outturn	08-09 Outturn	07-08 Outturn	06-07 Outturn
<b>Visitors</b>					
Number of total visitors	4,812,197	4,388,944	3,843,310	3,779,420	3,892,878
Number of child visitors	1,168,590	1,164,390	1,131,054	1,251,131	1,325,946
Number of over 60s visitors	374,672	307,226	269,032	249,139	290,977
Number of visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over	312,507	429,569	333,832	289,978	299,622
% of visitors who thought the museum was good/very good	98	97	96	97	95
<b>Other Access</b>					
Number of unique website visits	7,397,821	7,517,026	6,598,515	5,547,626	5,139,426
Number of specimens loaned	36,746	40,940	60,988	43,790	55,525
Number of scientific enquiries answered #1	15,825	28,667	47,041	50,075	48,977
<b>Learning</b>					
Number of children aged 16 and under in on and off site organised educational sessions	474,211	416,283	406,858	339,646	360,488
<b>Research</b>					
Number of peer reviewed research publications	609	642	603	571	544
Value of research grants won (£m total value to the Museum and collaborators)	9.5	14.1	25.4	26.2	25.9
Number of visitor days for visiting researchers	13,207	12,557	14,154	13,047	13,053
<b>Income generation</b>					
Net income from trading activities (£m)	7.49	6.87	6.13	6.38	6.58

#1 The reduction in outturn for 2010-11 reflects a change in definition and also the counting methodology.

## 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.

### 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 2010-11 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 2010-11 comprised:

*Professor Alex Halliday (Chair)*  
*Professor Jacqui McGlade*  
*Daniel Alexander*  
*Oliver Stocken*

The Director, and the Director 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 Chairman 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

	2010-11			2009-10		
	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	175-180	20-25	1,800	170-175	15-20	1,600
Sharon Ament <i>Director of Public Engagement</i>	115-120	5-10	–	115-120	5-10	–
Neil Greenwood <i>Director of Finance and Corporate Services</i>	110-115	5-10	–	120-125	15-20	–
Professor Richard Lane <i>Director of Science</i>	115-120	5-10	–	115-120	5-10	–

The salary figures for 2009-10 include back pay for a pay award due 1 August 2008 which was not settled until 2009-10.

Salary figures include bonus payments.

The above information has been subject to audit.

Professor Richard Lane retired from the Museum on 31 May 2011.

### Salary

'Salary' includes gross salary; performance pay or bonuses paid in the year but relating to prior year performance; overtime; and any allowance to the extent that it is subject to UK taxation.

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. Dr Michael Dixon has use of the Lodge on the Museum's South Kensington site for accommodation. The cost of utility services provided to the Lodge are met by Dr Michael Dixon.

**Pension benefits**

	Accrued pension at pension age as at 31/3/11 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/11 £'000	CETV at 31/3/10 £'000	Real increase in CETV £'000
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	14.2	1.6	236.6	193.8	23.7
Sharon Ament <i>Director of Public Engagement</i>	20.7 plus lump sum of 11.1	1.9 plus lump sum of 0	276.7	232.3	15.2
Neil Greenwood <i>Director of Finance and Corporate Services</i>	25.7 plus lump sum of 77.2	1.5 plus lump sum of 4.7	392.4	339.2	20.4
Professor Richard Lane <i>Director of Science</i>	14.5	1.6	278.7	230.2	26.8

The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

The above information has been subject to audit.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Museum employees may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). 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** and **nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his 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 CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Values

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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

## Real increase in CETV

This reflects the increase in CETV effectively 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 have 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 6 to the Annual Accounts.

## Reporting of Civil Service and other compensation schemes – exit packages

Exit package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	6	1	7
£10,000 – £25,000	9	1	10
£25,000 – £50,000	5	0	5
£50,000 – £100,000	7	0	7
£100,000 – £150,000	3	0	3
£150,000 – £200,000	5	0	5
>£200,000	4	0	0
Total number of exit packages	39	2	41
Total resource cost (£)	3,043,651	14,692	3,058,343

Oliver Stocken  
Chairman of the Board of Trustees

Dr. Michael Dixon  
Director and Accounting Officer

5 July 2011

## Statement of Trustees' and Director's Responsibilities

Under Sections 9(4) and (5) of the Museums and Galleries Act 1992, the Board of 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 Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared to 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 that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements;
- 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 the Department for Culture, Media and Sport 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, are set out in Managing Public Money, issued by the Treasury.

Oliver Stocken  
Chairman of the Board of Trustees

Dr. Michael Dixon  
Director and Accounting Officer

5 July 2011

\* A copy of which is available from the Director of Finance and Corporate Services, The Natural History Museum, Cromwell Road, London SW7 5BD. A charge will be made for this.

## Statement on Internal Control

### Scope of responsibility

As the Board of Trustees and the Accounting Officer, we have responsibility for ensuring 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 Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport.

In practice the Trustees will 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 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 an ongoing 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 2011 and up to the date of signature of the accounts.

### Capacity to handle risk and the risk environment

The Museum has a risk management policy which sets out the 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;
- 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.

The Director reports significant changes and developments in the risk profile to the Audit and Risk Committee and the Board of Trustees. The risk profile is presented to and endorsed by the Board of Trustees on an annual basis.

At the detailed level, a key risk register is prepared annually, taking account of departmental and project based risk registers as well as museum wide risks, with responsibility for each risk allocated to managers. The Executive Board monitors quarterly the progress of action taken to manage these risks and for the emergence of new risks.

Comprehensive guidance has been produced and widely disseminated on risk awareness and risk management, and a robust risk assessment methodology has been implemented. The Directors and managers are responsible for assessing risk appetite, using a framework of key documents including Financial Regulations, Collections Management guidelines, Procurement Manual, the Staff Handbook and Health and Safety guidelines.

### Significant internal control improvements during the year

A number of specific actions have occurred during the year which have strengthened the internal control framework:

- continuing development of the business continuity plan;
- continuing investment in museum wide IT, security and fire precautions systems and infrastructure;
- OHSAS 18001 certification was re-achieved for the occupational health and safety systems;

- ISO 14001 was re-secured for the environmental monitoring systems;
- refresher training for museum managers and key staff on key museum policies, including fraud awareness and prevention, has taken place;
- review and update of the risk assessment methodology;
- further implementation of the security protocol framework in line with Cabinet Office requirements;
- achievement of the Museums, Libraries and Archives Accreditation scheme;
- embedding of new physical security processes and protocols.

### **Significant internal control matters arising the during year**

There was partial recovery of the 299 bird skins which were stolen from the Natural History Museum at Tring during 2009. More than half the stolen specimens were recovered but many lacked the all-important labels for determining their scientific importance.

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

### **Risks to data and information**

Risks to data and information held by the Museum are owned and managed by individuals, responsible as information asset owners, and 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.

Specific actions taken during 2010-11 on the implementation of the Cabinet Office requirements on information risk management include:

- revision of the Information Risk Management Policy;
- approval of the Information Disposal and Destruction Policy and Procedure;
- approval of the Movement of Protectively Marked Information Policy and Procedure.

During the year the Museum's Risk and Assurance Unit carried out a review on the adequacy and effectiveness of the internal controls in place for the effective management of information risk. The review noted that a sound framework of policies and procedures had been established and promulgated, that significant progress had been made in the implementation of the Cabinet Office requirements on information risk management, and that further actions were planned to ensure full compliance.

There were no sensitive personal data incidents during 2010-11 which required reporting to the Information Commissioner's Office.

### **Review of effectiveness**

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2010-11 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;

- (a) an Office of Government Commerce Gateway review of the Darwin Centre Phase 2 project;
- (b) assurance statements and reports from directors within the Museum who have responsibility for the development and maintenance of the internal control framework;
- (c) the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- (d) the Annual Security Report, including information risk management and assurance;
- (e) comments made by the external auditors in their management letter;
- (f) the Individual Merit Promotion scheme run by the Natural Environment Research Council (NERC) which provides independent assurance on the quality of leading individual researchers employed by the Museum.

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, working to a plan approved by the Audit and Risk Committee and operating to the HM Treasury internal audit standards.

An annual report on audit activity, which includes an opinion on the adequacy and effectiveness for this year of the risk management, and control framework is prepared by the Head of Risk and Assurance, considered by the Audit and Risk Committee and presented to the Accounting Officer and the Board of Trustees.

The effectiveness of the Museum's Risk and Assurance Unit was reviewed during the year by the Audit and Risk Committee. It was concluded that the work of the Unit provided comprehensive annual assurance to the Audit and Risk Committee and that the work of the Unit was of a high standard.

The Audit and Risk Committee meets four times a year to receive reports on risk management and internal control issues from the Risk and Assurance unit, and matters arising from external audits, and to review progress on the implementation of recommendations. The Chairman of the Audit and Risk Committee reports any matters arising directly to the Board of Trustees.

Oliver Stocken  
Chairman of the Board of Trustees

Dr. Michael Dixon  
Director

5 July 2011

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

I certify that I have audited the financial statements of the Natural History Museum for the year ended 31 March 2011 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Trustees, Director and auditor**

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

My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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. This includes an assessment of: whether the accounting policies are appropriate to the Natural History Museum and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' and Accounting Officer's Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Regularity**

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Natural History Museum's and the group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder with HM Treasury's consent.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance the Secretary of State directions issued with HM Treasury's consent under the Museums and Galleries Act 1992; and
- the information given in the Structure, governance and management; Objectives and Activities; and Financial Review 2010-11 sections of the Trustees' Annual Report 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
7 July 2011*

**Consolidated Statement of Financial Activities for the year ended 31 March 2011**

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2011	Total Funds 2010 Restated
		Designated	General				
		£000	£000	£000	£000	£000	£000
<b>Incoming resources</b>							
<b>Incoming resources from generated funds</b>							
Voluntary income							
Grant in aid	2		48,586	93		<b>48,679</b>	51,186
National lottery				538		<b>538</b>	484
Donations			364	3,010		<b>3,374</b>	2,044
Donations in kind				89		<b>89</b>	310
Activities for generating funds:							
Trading activities	3		12,886	11		<b>12,897</b>	12,759
Sponsorship	3		205			<b>205</b>	496
Shared services		1,484		210		<b>1,694</b>	2,104
Other income	4	2	387	395		<b>784</b>	1,065
Investment income	4	39	34	10		<b>83</b>	81
Incoming resources from charitable activities							
Admissions and memberships			1,936			<b>1,936</b>	1,557
Scientific grants and contracts			804	6,032		<b>6,836</b>	5,680
<b>Total incoming resources</b>		<b>1,525</b>	<b>65,202</b>	<b>10,388</b>	<b>0</b>	<b>77,115</b>	<b>77,766</b>
<b>Resources expended</b>							
Costs of generating funds							
Costs of generating voluntary income							
Fundraising trading: cost of goods sold and other costs	6	1,962	6,586	397		<b>8,945</b>	9,451
Charitable activities							
Exhibitions	6	1,015	8,438	894		<b>10,347</b>	9,008
Learning	6	691	2,579	331		<b>3,601</b>	3,493
Libraries	6	588	4,623	117		<b>5,328</b>	4,891
Scientific curation and research	6	4,967	18,053	7,700		<b>30,720</b>	28,881
Visitor services	6	1,790	9,207	307		<b>11,304</b>	11,425
<b>Governance costs</b>	6	95	281	16		<b>392</b>	507
<b>Other resources expended</b>							
Loss on disposal of fixed assets	6		36			<b>36</b>	3
<b>Total resources expended</b>		<b>12,704</b>	<b>57,754</b>	<b>9,907</b>	<b>0</b>	<b>80,365</b>	<b>77,834</b>
<b>Net (outgoing)/incoming resources before transfers</b>	5	<b>(11,179)</b>	<b>7,448</b>	<b>481</b>	<b>0</b>	<b>(3,250)</b>	<b>(68)</b>

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2011	Total Funds 2010 Restated
		Designated	General				
		£000	£000	£000	£000	£000	£000
<b>Transfers</b>							
<b>Gross transfers between funds</b>	17	6,470	(6,476)	19		13	0
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		(4,709)	972	500	0	(3,237)	(68)
<b>Other recognised gains/losses</b>							
<b>Gains/ (Losses) on indexation and revaluation of fixed assets for charity's own use</b>	7	(6,565)		(1,751)		(8,316)	16,101
<b>Gains/(Losses) on investment assets</b>	9	19			26	45	238
<b>Net movement in funds</b>		(11,255)	972	(1,251)	26	(11,508)	16,271
<b>Reconciliation of funds</b>							
<b>Total funds brought forward</b>		395,454	2,661	74,503	734	473,352	457,081
<b>Total funds carried forward</b>	17	384,199	3,633	73,252	760	461,844	473,352

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

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 30 to 52 form part of these accounts.

**Consolidated and Museum Balance Sheets as at 31 March 2011**

		<b>Group</b>	Group	<b>Museum</b>	Museum
		<b>2011</b>	2010	<b>2011</b>	2010
<b>Fixed Assets</b>	Note	<b>£000</b>	£000	<b>£000</b>	£000
Tangible assets	7	<b>448,776</b>	463,202	<b>448,299</b>	462,635
Heritage assets	8	<b>1,522</b>	1,522	<b>1,522</b>	1,522
Investments	9	<b>1,276</b>	1,131	<b>300</b>	300
<i>Total fixed assets</i>		<b>451,574</b>	465,855	<b>450,121</b>	464,457
<b>Current Assets</b>					
Stock	11	<b>885</b>	765	<b>261</b>	245
Debtors	12	<b>6,120</b>	6,016	<b>4,608</b>	4,322
Cash at bank and in hand	13,14	<b>21,576</b>	16,682	<b>21,231</b>	16,185
<i>Total current assets</i>		<b>28,581</b>	23,463	<b>26,100</b>	20,752
<b>Liabilities</b>					
Creditors: amounts falling due within one year	15	<b>(16,757)</b>	(15,645)	<b>(14,251)</b>	(13,071)
<i>Net current assets</i>		<b>11,824</b>	7,818	<b>11,849</b>	7,681
<i>Total assets less current liabilities</i>		<b>463,398</b>	473,673	<b>461,970</b>	472,138
Provision for liabilities and charges	20	<b>(1,554)</b>	(321)	<b>(1,554)</b>	(225)
<i>Net assets</i>		<b>461,844</b>	473,352	<b>460,416</b>	471,913
<b>The funds of the charity</b>					
Permanent Endowment funds	17	<b>760</b>	734	<b>0</b>	0
Restricted income funds	17	<b>73,252</b>	74,503	<b>73,253</b>	74,503
Unrestricted income funds					
Designated funds	17	<b>384,199</b>	395,454	<b>383,055</b>	394,188
General funds	17	<b>3,633</b>	2,661	<b>4,108</b>	3,222
<i>Total unrestricted funds</i>		<b>387,832</b>	398,115	<b>387,163</b>	397,410
<i>Total charity funds</i>	17	<b>461,844</b>	473,352	<b>460,416</b>	471,913

*The notes on pages 30 to 52 form part of these accounts.*

Oliver Stocken  
Chairman of the Board of Trustees

Dr. Michael Dixon  
Director

5 July 2011

**Consolidated Cash Flow Statement for the year ended 31 March 2011**

	Note	<b>2011</b> <b>£000</b>	2010 £000
Net cash inflow from operating activities	19	<b>11,286</b>	8,187
Returns on investments and servicing of finance within net cash flow	19	<b>83</b>	81
Capital expenditure and financial investment	19	<b>(6,475)</b>	(16,272)
(Decrease)/increase in cash	19	<b><u>4,894</u></b>	<u>(8,004)</u>

*The notes on pages 30 to 52 form part of these accounts.*

## 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 Statement of Recommended Practice 2005 on 'Accounting by Charities' and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Olympics, Media and Sport, with the approval of H.M.Treasury.

Consolidated accounts have been prepared for the Museum which include the Grant-in-Aid account, trust funds administered by the Museum, and its subsidiary company, The Natural History Museum Trading Company. They do not include accounts for the American Friends of the Natural History Museum which is a fund raising organisation based in the USA.

#### Incoming resources

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

Grant-in-Aid from the Department for Culture, Media and Sport 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 17), 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.

Donations in kind, including donated collections are recognised when received and valued at their value to the Museum. Donations of unquoted shares are recognised only when a value can be attributed with reasonable certainty, either on sale or on floatation on a recognised stock market. 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.

#### 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. No meaningful allocation of this expenditure across these income sources is possible.

Governance costs are the costs associated with the governance arrangements of the charity and are made up of internal audit, external audit and Trustees' costs.

#### 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 the telephone exchange and the boiler – see Note 1 (Shared Services) and Note 17.

*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 20 years depending upon the nature of the asset.
Permanent Exhibitions	- 20 years
Equipment	- between 3 and 22 years depending on the nature of the asset
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 Affairs, 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.

Equipment/Furniture and Fittings – indexation by appropriate indices.

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

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.

### **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 FRS 30 (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 8.

### **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 does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, investments, receivables and payables (Notes 12,13 and 14). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Museum will be unable to collect an amount due in accordance with agreed terms.

### **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 16.

### **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.

### **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 by gift aid. 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.

## Subscriptions

Subscriptions for the purchase of scientific periodicals are treated as expenditure in the period in which the final commitment to a subscription is placed. This may be in advance of the period in which actual delivery occurs.

## 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.

## Notional cost of capital

Prior to 2010-11, in accordance with Treasury guidance, a notional cost of capital was charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. The charge was reversed so that no provision was included on the balance sheet.

Hence the Statement of Financial Activities for 2009-10 has been restated, excluding the charge for that year which amounted to £13.117m, being 3.5% of the average capital employed in the year but excluding donated assets and assets funded by the Heritage Lottery Fund.

## Provision for shared services

During 2010-11 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced 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 17.

## 2 Grant-in-aid

	<b>2011</b>	2010
	<b>£000</b>	£000
Department for Culture, Media and Sport		
Resource grant-in-aid	<b>45,839</b>	44,730
Capital grant-in-aid	<b>2,747</b>	6,350
Invest to Save fund	<b>93</b>	106
	<b>48,679</b>	51,186
General Funds	<b>48,586</b>	48,380
Restricted Funds	<b>93</b>	2,806
	<b>48,679</b>	51,186

Grant-in-Aid income credited to General Funds is available for running costs, capital improvements and collection purchases. Grant-in-Aid income credited to Restricted Funds is available only for specific projects defined in the grant conditions by the Department for Culture Media and Sport.

The Museum acts as lead partner for activities under the Invest to Save fund. Of the total grant in aid received £92,875 has been recognised in 2010-11 in relation to Invest to Save consortium costs.

### 3 Trading activities income

	<b>2011</b>	2010
	<b>£000</b>	£000
Brand management	<b>180</b>	204
Retail	<b>6,488</b>	6,528
Catering and functions	<b>2,630</b>	2,558
Exhibitions Consultancy	<b>628</b>	758
Touring exhibitions	<b>945</b>	1,063
Robotic model sales	<b>188</b>	89
Other	<b>1,838</b>	1,559
	<b>12,897</b>	12,759

This reconciles to the Trading Company income in Note 10 as follows:

Trading subsidiary turnover	<b>12,468</b>	13,279
Less: Science consultancy (included in Scientific grants and contracts)	<b>(804)</b>	(1,019)
Commercial sponsorship (included in Sponsorship)	<b>(205)</b>	(496)
Add: Other trading activities income (Museum income)	<b>1,438</b>	995
	<b>12,897</b>	12,759

### 4 Investment income and other income

	<b>2011</b>	2010
	<b>£000</b>	£000
Income from UK equities	<b>21</b>	26
Income from other investments	<b>17</b>	18
Bank interest	<b>45</b>	37
	<b>83</b>	81
Other Income		
Rentals	<b>133</b>	137
Other	<b>651</b>	928
	<b>784</b>	1,065

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

**5 Net (outgoing)/incoming resources before transfers**

	<b>2011</b>	2010
	<b>£000</b>	£000
is stated after crediting:		
Scientific grants from the European Union	<b>2,992</b>	2,065
and after charging:		
Expenditure in respect of scientific grants from the European Union	<b>2,992</b>	2,065
Auditors' remuneration – Museum auditors		
Museum audit	<b>49</b>	49
other services	<b>0</b>	0
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	<b>20</b>	16
Special Funds audit	<b>3</b>	2
other services	<b>7</b>	7
Hire of plant and machinery	<b>425</b>	408
Travel, subsistence and hospitality	<b>1,379</b>	1,210
Depreciation	<b>12,449</b>	11,066

Incoming resources of the Museum were £64,520,000 (2010: £67,153,000).

**6 Total resources expended**

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	<b>Total 2011 £000</b>	Total 2010 £000
Costs of generating voluntary income	4,681		4,264	<b>8,945</b>	9,451
Fundraising trading: cost of goods sold and other costs	9,692			<b>9,692</b>	10,175
Exhibitions	8,142		2,205	<b>10,347</b>	9,008
Learning	2,099		1,502	<b>3,601</b>	3,493
Libraries	4,071		1,257	<b>5,328</b>	4,891
Scientific curation and research	21,714	239	8,767	<b>30,720</b>	28,881
Visitor services	7,415		3,889	<b>11,304</b>	11,425
Governance	195		197	<b>392</b>	507
Loss on disposal of fixed assets	36			<b>36</b>	3
	<b>58,045</b>	<b>239</b>	<b>22,081</b>	<b>80,365</b>	<b>77,834</b>

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. No meaningful allocation of this expenditure across these income sources is possible.

Total resources expended by the Museum only were £70,219,000 (2010 £67,303,000)

## Support costs by activity

2010-11	Exhibitions	Generating voluntary income	Governance	Learning	Libraries	Scientific	Visitor services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Management	183	354	16	125	104	727	323	<b>1,832</b>
Human resources	146	283	13	100	83	581	258	<b>1,464</b>
Estates	708	1,370	64	482	404	2,816	1,249	<b>7,093</b>
Finance	114	221	10	78	65	455	202	<b>1,145</b>
Information technology	148	284	13	100	84	585	259	<b>1,473</b>
Depreciation	906	1,752	81	617	517	3,603	1,598	<b>9,074</b>
	<b>2,205</b>	<b>4,264</b>	<b>197</b>	<b>1,502</b>	<b>1,257</b>	<b>8,767</b>	<b>3,889</b>	<b>22,081</b>

2009-10	Exhibitions	Generating voluntary income	Governance	Learning	Libraries	Scientific	Visitor services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Management	184	327	17	116	98	675	314	<b>1,731</b>
Human resources	161	286	15	101	86	591	275	<b>1,515</b>
Estates	850	1,512	80	535	452	3,124	1,453	<b>8,006</b>
Finance	132	235	12	83	70	486	226	<b>1,244</b>
Information technology	153	272	14	96	81	563	262	<b>1,441</b>
Depreciation	885	1,573	83	557	471	3,249	1,511	<b>8,329</b>
	<b>2,365</b>	<b>4,205</b>	<b>221</b>	<b>1,488</b>	<b>1,258</b>	<b>8,688</b>	<b>4,041</b>	<b>22,266</b>

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	2011 Permanent contracts £000	2011 Other contracts £000	2011 Total £000	2010 Total £000
Salaries and Wages	25,643	4,276	<b>29,919</b>	27,765
Superannuation	4,314	500	<b>4,814</b>	4,914
National Insurance	1,798	343	<b>2,141</b>	2,212
Cost of agency staff	0	3,802	<b>3,802</b>	3,691
	<b>31,755</b>	<b>8,921</b>	<b>40,676</b>	<b>38,582</b>

Included in the above staff costs are redundancy costs of £540,000 (2010: £91,623).

In addition there were early retirement costs of £2,530,000 (2010 – £0).

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 2007. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2010-11, the rates were in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 may opt to open a partnership pension account, a stakeholder pension with an employer contribution.

The Chairman and Board of Trustees received no remuneration for their services during the year (2010 £nil). Travel and subsistence expenses of £1,918 (2010 £2,110) were reimbursed to 4 Trustees.

The Remuneration of the senior management of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 16 to 19.

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

	<b>2011</b>	2010
£170,001 – £180,000	<b>1</b>	1
£160,001 – £170,000	<b>0</b>	0
£150,001 – £160,000	<b>0</b>	0
£140,001 – £150,000	<b>0</b>	0
£130,001 – £140,000	<b>0</b>	0
£120,001 – £130,000	<b>0</b>	1
£110,001 – £120,000	<b>3</b>	2
£100,001 – £110,000	<b>0</b>	0
£90,001 – £100,000	<b>1</b>	1
£80,001 – £90,000	<b>2</b>	4
£70,001 – £80,000	<b>10</b>	9
£60,001 – £70,000	<b>11</b>	14

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £485,899 (2010: £554,487).

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

The average number of employees during the year was 1,002 (2010: 1005) organised into the following categories:

	2011 Permanent contracts	2011 other contracts	<b>2011 Total</b>	2010 Total
Costs of generating voluntary income	117	52	<b>169</b>	164
Exhibitions	59	15	<b>74</b>	83
Learning	40	4	<b>44</b>	44
Libraries	34	11	<b>45</b>	48
Scientific curation and research	236	106	<b>342</b>	341
Visitor services	104	141	<b>245</b>	234
Governance	5	1	<b>6</b>	7
Support	62	15	<b>77</b>	84
	<b>657</b>	<b>345</b>	<b>1,002</b>	1,005

**7 Tangible fixed assets**

<b>Group</b>	Land & Buildings	Plant & Machinery	Assets under construction	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	<b>£000</b>
<b>Value</b>								
Balance								
1 April 2010	363,610	79,119		34,030	10,005	17,919	10	<b>504,603</b>
Additions	1,508	545	855	998	449	2,020		<b>6,375</b>
Disposals						(865)	(6)	<b>(871)</b>
Revaluation	(6,497)	(2,323)			330	512		<b>(7,978)</b>
Balance								
31 March 2011	358,621	77,341	855	35,028	10,784	19,586	4	<b>502,219</b>
<b>Depreciation</b>								
Balance								
1 April 2010	3,626	4,210		18,158	4,792	10,696	9	<b>41,491</b>
Charge for year	3,837	4,186		1,862	1,031	1,747		<b>12,663</b>
Disposals						(829)	(6)	<b>(835)</b>
Revaluation	(161)	(185)			165	305		<b>124</b>
Balance								
31 March 2011	7,302	8,211		20,020	5,988	11,919	3	<b>53,443</b>
<b>Net Book Value</b>								
<b>31.3.10</b>	359,984	74,909		15,872	5,213	7,223	1	<b>463,202</b>
<b>Net Book Value</b>								
<b>31.3.11</b>	351,319	69,130	855	15,008	4,796	7,667	1	<b>448,776</b>

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, 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 valuation was performed by Gerald Eve, Chartered Surveyors, as at 31 March 2009, in accordance with the RICS Appraisal and Valuation Manual (the red book).

The professional valuations at 31 March 2009 were as follows:

<b>Property</b>	<b>Value 31 March 2009 £000</b>	<b>Basis of Valuation</b>
The Natural History Museum, South Kensington	395,250	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	12,050	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,790	Existing use basis
Premises at Kimber Road, Wandsworth, London	8,300	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

At 31 March 2009 the valuers were of the opinion that the valuation of the premises at Kimber Road, Wandsworth, 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.

Fixture and fittings, and equipment assets have been revalued using an appropriate index from the National Statistics Office. No indexation has been applied to 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.

	<b>2011</b>	2010
	<b>£000</b>	£000
The current cost depreciation shown above is charged in the Statement of Financial Activities (page 26) as follows:		
Historic cost depreciation included in Total resources expended	<b>12,449</b>	11,066
Depreciation arising on indexation of assets included in Gains/(losses) on indexation and revaluation of fixed assets for charity's own use	<b>214</b>	264
	<b>12,663</b>	11,330

	<b>2011</b>	2010
	<b>£000</b>	£000
Gains/(Losses) on indexation and revaluation of fixed assets shown above is recognised in the Statement of Financial Activities as follows:		
Revaluation value	<b>(7,978)</b>	16,980
Prior year depreciation adjustment arising from revaluation	<b>(124)</b>	(615)
Current year depreciation adjustment arising from revaluation	<b>(214)</b>	(264)
	<b>(8,316)</b>	16,101

<b>Museum</b>	Land & Buildings	Plant & Machinery	Assets under construction	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Value</b>								
Balance 1 April 2010	363,610	79,119		34,030	9,760	17,306	10	<b>503,835</b>
Additions	1,508	545	855	997	408	2,016		<b>6,329</b>
Disposals						(840)	(6)	<b>(846)</b>
Revaluation	(6,497)	(2,323)			330	512		<b>(7,978)</b>
Balance 31 March 2011	358,621	77,341	855	35,027	10,498	18,994	4	<b>501,340</b>
<b>Depreciation</b>								
Balance 1 April 2010	3,626	4,210		18,158	4,705	10,492	9	<b>41,200</b>
Charge for year	3,837	4,186		1,862	1,001	1,666		<b>12,552</b>
Disposals						(829)	(6)	<b>(835)</b>
Revaluation	(161)	(185)			165	305		<b>124</b>
Balance 31 March 2011	7,302	8,211		20,020	5,871	11,634	3	<b>53,041</b>
<b>Net Book Value</b>								
31.3.10	359,984	74,909		15,872	5,055	6,814	1	<b>462,635</b>
31.3.11	351,319	69,130	855	15,007	4,627	7,360	1	<b>448,299</b>

## 8 Collections assets

	<b>Group 2011 £000</b>	Group 2010 £000	<b>Museum 2011 £000</b>	Museum 2010 £000
Collections Assets:				
Net book value at 31.3.10	<b>1,522</b>	1,522	<b>1,522</b>	1,522
Additions in year	<b>0</b>	0	<b>0</b>	0
Disposals in year	<b>0</b>	0	<b>0</b>	0
Net book value at 31.3.11	<b>1,522</b>	1,522	<b>1,522</b>	1,522

Collections are valued at purchase cost or at estimated cost where donated, and are neither depreciated nor revalued.

The total number of collection items which have been capitalised amount 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 over 70 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 of each of the Museum's five science departments and the Library are given below.

#### Botany

The botanical collection comprises an estimated 6 million specimens including seed plants, pollens 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 the British Isles.

The collections span a period from the 16th century to the present and include a number of historically important collections such as those of Sir Hans Sloane, Sir Joseph Banks and Charles Darwin.

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

#### Entomology

The entomological collections comprise an estimated 28 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 around 1680, 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).

## **Mineralogy**

The mineralogical collection comprised approximately one third of a million specimens and consists of four main elements: minerals, including gems, (about 180,000 specimens), rocks, including building stones and ocean bottom deposits, (about 160,000 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 the Russell Collection of British Minerals and the Ashcroft Swiss collection which have specific terms of bequest to be kept as separate entities.

## **Palaeontology**

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.

## **Zoology**

The zoological collections comprise some 28 million specimens, housed at South Kensington, Tring and Wandsworth. They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides.

The range of the collections is world-wide, though British material predominates.

The bulk of the collections were assembled in the late 19th and early 20th centuries, but they also include some 16th century and much modern material.

The collection is arranged where possible in systematic order.

## **Library and Information services**

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.

## **Preservation of materials and preservation standards**

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 preserve its paper-based collections in the best environmental conditions it can achieve, aspiring to BS5454 provisions for its archives and manuscript collections wherever possible.

The Museum meets the government-endorsed standard expected of museums in the UK, as it is a Registered Museum under the Museums, Libraries and Archives Council Registration/Accreditation Scheme.

### **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.

These are publicly available on the museum website (<http://www.nhm.ac.uk/research-curation/collections/collectionsmanagement/collections-policy-procedures/index.html>) and upon written request for those unable to access online. The policies are currently under review.

Of particular importance for this report are the Acquisition Policy, Audit Policy and Inventory Control, Deaccession, Disposal and Dispersal Policy, Valuation Control Policy and Loan Policies.

Disposal is only permitted within the limits of British Museum Act (1963) and the NHM Deaccession, Disposal and Dispersal Policy and any money raised must be used to purchase items to be added to the collection.

### **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 museums 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 2010-11.

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

Many collections are now available via searchable on-line databases accessed via the NHM website <http://www.nhm.ac.uk/research-curation/collections/search/index.jsp?mode=collections>.

### **Valuation**

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 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 Valuation Control 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 over 70 million items is considered impractical, lacking in reliability and of no significant benefit.

### **Significant developments during 2010-11**

During the year approximately £25,000 was spent on collections purchases (all below the capitalisation threshold), including the Hedqvist collection of hymenopteran insects.

There was partial recovery of the 299 bird skins which were stolen from the Natural History Museum at Tring during 2009. More than half the stolen specimens were recovered but many lacked the all-important labels for determining their scientific importance.

Progress was made with Collections Storage Infrastructure Programme (CSIP), including refurbishment of the large vertebrate store and quarantine facilities at South Kensington. In addition a new molecular collections facility is nearing completion.

A Collections Strategy was approved by the Collections Committee.

### Acquisitions Summary 2006-11

	2006-07	2007-08	2008-09	2009-10	2010-11
	£000	£000	£000	£000	£000
Acquisitions >£5k	999	45	266	40	0
Donations > £5k	n/a	n/a	n/a	n/a	0

### 9 Investments

Group	Market Value		Increase/ (Decrease) in market value £000	Market Value 31 March 2011 £000
	31 March 2010 £000	Additions £000		
<b>Group</b>				
UK Equities	690	70	35	795
Other UK investments	441	30	10	481
	1,131	100	45	1,276
<b>Museum</b>				
UK Equities	300			300
	300	0	0	300

The equities based investments of the Special Funds are in UK Equities and Other UK Investments and are subject to income and capital growth risk in line with equity market conditions in general and with the underlying individual equities specifically.

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

## 10 Trading Subsidiary

The Museum owns the whole of the issued shared capital of The Natural History Museum Trading Company, 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 transferred to the Museum, as a charity, under a Gift Aid declaration to achieve relief from Corporation Tax.

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

	<b>Total 2011 £000</b>	Total 2010 £000
<b>Income and expenditure</b>		
Turnover	<b>12,468</b>	13,279
Cost of sales	<b>(6,009)</b>	(5,902)
Gross profit	<b>6,459</b>	7,377
Other expenses	<b>(3,959)</b>	(4,566)
Operating profit	<b>2,500</b>	2,811
Interest receivable and similar income		
Amount of gift-aided donation to Museum	<b>(2,500)</b>	(2,811)
Profit on ordinary activities before taxation	<b>0</b>	0
Taxation	<b>0</b>	0
Retained in subsidiary	<b>0</b>	0
	<b>2011 £000</b>	2010 £000
<b>Balance Sheet</b>		
Fixed assets (equipment)	<b>475</b>	566
Current assets	<b>2,651</b>	3,498
Current liabilities	<b>(2,826)</b>	(3,764)
<b>Net assets</b>	<b>300</b>	300
<b>Share capital and reserves</b>	<b>300</b>	300

**11 Stock**

	<b>Group</b> <b>2011</b> <b>£000</b>	Group 2010 £000	<b>Museum</b> <b>2011</b> <b>£000</b>	Museum 2010 £000
Finished goods and goods for resale	<b>816</b>	723	<b>192</b>	203
Work in progress	<b>69</b>	42	<b>69</b>	42
	<b>885</b>	765	<b>261</b>	245

**12 Debtors**

	<b>Group</b> <b>2011</b> <b>£000</b>	Group 2010 £000	<b>Museum</b> <b>2011</b> <b>£000</b>	Museum 2010 £000
Trade Debtors	<b>2,685</b>	3,123	<b>1,223</b>	715
Other Debtors	<b>488</b>	427	<b>368</b>	361
Amounts due from subsidiary undertaking	<b>0</b>	0	<b>325</b>	1,094
Prepayments and accrued income	<b>2,947</b>	2,466	<b>2,692</b>	2,152
	<b>6,120</b>	6,016	<b>4,608</b>	4,322

Included in the above figures are balances due from central government bodies of £660,000 (2010 £269,000) at 31 March 2011.

	<b>Group</b> <b>2011</b> <b>£000</b>	Group 2010 £000	<b>Museum</b> <b>2011</b> <b>£000</b>	Museum 2010 £000
Debtors includes the following financial instruments:				
Gross trade debtors	<b>3,555</b>	4,009	<b>1,225</b>	724
less: provision for impairment	<b>(870)</b>	(886)	<b>(2)</b>	(9)
	<b>2,685</b>	3,123	<b>1,223</b>	715
Other debtors	<b>488</b>	427	<b>368</b>	361
Amounts due from subsidiary undertaking	<b>0</b>	0	<b>325</b>	1,094
	<b>3,173</b>	3,550	<b>1,591</b>	2,170

As the Museum receives a substantial part of its income from the Department for Culture, Media and Sport, 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:

Not due	<b>£000</b> 1,214
up to 30 days past due	618
30-60 days past due	353
Over 60 days past due	500
	<b>2,685</b>

**13 Cash at bank and in hand**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Balances held with the Government Banking Service	<b>18,101</b>	13,774	<b>18,101</b>	13,765
Balances held with commercial banks and cash in hand	<b>3,475</b>	2,908	<b>3,130</b>	2,420
	<b>21,576</b>	16,682	<b>21,231</b>	16,185

Included in the above are balances in Euro of £3,125,691 (2010 £4,307,586) These balances do not expose the Museum to any significant exchange rate risk as they are held in connection with grants received from the European Union for onward payment to project partners where both incoming and outgoing payments are made in Euros.

During the year, cash surplus to daily requirements was either deposited with the Government Banking Service or invested in with leading European financial institutions. Interest was achieved generally on investments to within 0.25% of UK base rate or to within 0.6% of the European Central Bank refinancing rate at the time of deposit. Cash may only be invested with financial institutions which have adequate credit ratings in accordance with the Museum's Investment Policy, and the maximum aggregate investment with any single financial institution is limited to the lower of 25% of total funds available for investment or £5 million. 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.

**14 Cash held for third parties**

Included in the cash balances (Note 13) 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 (see Note 13). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2011 the cash balances held for third parties amounted to £962,550 (2010 £1,883,980).

**15 Creditors: amounts falling due within one year**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Trade Creditors	<b>3,995</b>	2,778	<b>3,767</b>	2,482
Taxation and Social Security	<b>0</b>	19	<b>0</b>	0
Other Creditors	<b>1,554</b>	2,080	<b>1,521</b>	2,078
Deferred income	<b>6,627</b>	7,292	<b>5,301</b>	6,197
Accruals	<b>4,581</b>	3,476	<b>3,662</b>	2,314
	<b>16,757</b>	15,645	<b>14,251</b>	13,071

Included in the above figures there were balances due to other central government bodies of £3,000 (2010 £0) and due to local authorities of £844,000 (2010 £96,000) at 31 March 2011.

Amounts classified above as Trade creditors and Other creditors fall within the definition of financial instruments. The Financial Memorandum between the Museum and the Department for Culture, Media and Sport prohibits the Museum from borrowing 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. 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.

<b>Deferred Income</b>	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
As at 1 April	<b>7,292</b>	7,535	<b>6,197</b>	6,219
Deferred in Current Year	<b>5,087</b>	5,349	<b>3,883</b>	4,300
Released from Previous Year	<b>(5,752)</b>	(5,592)	<b>(4,779)</b>	(4,322)
As at 31 March 2011	<b>6,627</b>	7,292	<b>5,301</b>	6,197

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.

**16 Financial Commitments**

The Museum has entered into a series of contracts of between three and fifteen years duration to lease premises, vehicles and equipment for use in its operations. Total payments £786,000 (2010 £776,000) due in the next year of the contracts in place at 31 March 2011 by remaining duration of the lease is as follows:

	Land and	Other	<b>Total</b>	Total
	buildings	assets	<b>2011</b>	2010
	£'000	£'000	<b>£'000</b>	£'000
within one year	27	4	<b>31</b>	10
in second to fifth year	0	55	<b>55</b>	101
over 5 years	0	700	<b>700</b>	665

**17 Statement of Funds**

	At 1 April 2010 £000	Income £000	Expenditure £000	Net Revaluation/ Investment Gains/losses £000	Indexation £000	Transfers £000	At 31 March 2011 £000
<b>Restricted Funds</b>							
Scientific Grants	0	6,760	(6,760)	0	0	0	0
Grant in aid	432	93	(264)	0	1	0	262
Sponsored Assets	73,391	2,980	(2,299)	0	(1,752)	0	72,320
Projects/Other Funds	547	466	(493)	0	0	0	520
Donations in kind	0	89	(89)	0	0	0	0
Equipment Reserve	133	0	(2)	0	0	19	150
	74,503	10,388	(9,907)	0	(1,751)	19	73,252
<b>General Funds</b>	2,661	65,202	(57,754)	0	0	(6,476)	3,633
	2,661	65,202	(57,754)	0	0	(6,476)	3,633
<b>Unrestricted funds – designated</b>							
Special Funds	701	39	(89)	19	0	0	670
Projects/Other Activities	60	0	0	0	0	(60)	0
Shared services	0	1,484	(1,484)	0	0	0	0
Future Scientific Research	1,018	2	(856)	0	0	705	869
Future Projects	1,679	0	0	0	0	934	2,613
Capital Projects	391,996	0	(10,275)	0	(6,565)	4,891	380,047
	395,454	1,525	(12,704)	19	(6,565)	6,470	384,199
<b>Permanent Endowment funds</b>							
Special Funds	734	0	0	26	0	0	760
	734	0	0	26	0	0	760
<b>Total Funds</b>	473,352	77,115	(80,365)	45	(8,316)	13	461,844

Special funds are a collection of 17 funds which have arisen from various legacies and donations to the Museum and which are administered by the Museum, plus the Cockayne Trust and the Benevolent Fund.

The transfer to Unrestricted Funds – designated: Future Scientific Research reflects the decision of the Trustees to fund future scientific research from the Museum's own resources.

The transfer to Unrestricted Funds – Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2010-11, not funded by revenues expected to be generated in that year.

The transfers to and from Unrestricted funds – Designated: Capital Projects reflect the acquisitions, net of disposals, of those assets which have been funded from the Museum's own resources during the year.

Individual sub-funds were previously disclosed in the 2009-10 financial statements. These funds have been consolidated into the line Sponsored Assets for presentational purposes for 2010-11 onwards.

**18 Analysis of group net assets between funds**

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	<b>Total £000</b>
<b>Fund balances at 31 March 2011 are represented by</b>					
Tangible and Heritage Fixed Assets	380,052		70,246		<b>450,298</b>
Investments	516			760	<b>1,276</b>
Current Assets	3,637	21,938	3,006		<b>28,581</b>
Liabilities	(6)	(18,305)			<b>(18,311)</b>
<b>Total Net Assets</b>	<b>384,199</b>	<b>3,633</b>	<b>73,252</b>	<b>760</b>	<b>461,844</b>
<b>Unrealised gains included in the above:</b>					
On Tangible Fixed Assets	129,701		3,948		<b>133,649</b>
<b>Total unrealised gains at 31 March 2011</b>	<b>129,701</b>	<b>0</b>	<b>3,948</b>	<b>0</b>	<b>133,649</b>

**19 Cash flow information**

Reconciliation of operating surplus to net cash inflows from operating activities

	<b>2011 £000</b>	2010 £000	
Net (outgoing)/incoming resources	<b>(3,250)</b>	(68)	
Investment income	<b>(83)</b>	(81)	
Depreciation	<b>12,449</b>	11,066	
Loss on disposal of fixed assets	<b>36</b>	3	
Increase in stock	<b>(120)</b>	(155)	
Decrease in debtors	<b>(104)</b>	557	
(Decrease)/increase in creditors	<b>1,112</b>	(3,061)	
Funds Transfer	<b>13</b>	0	
Net movement in provisions	<b>1,233</b>	(74)	
Net cash inflow from operating activities	<b>11,286</b>	8,187	
<b>Returns on investments and servicing of finance within net cash flow</b>			
Interest received	<b>45</b>	37	
Investment income received	<b>38</b>	44	
	<b>83</b>	81	
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	<b>(6,475)</b>	(16,272)	
Receipts on sale of tangible fixed assets	<b>0</b>	0	
	<b>(6,475)</b>	(16,272)	
<b>Changes in cash and cash equivalents</b>			
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period	<b>4,894</b>	(8,004)	
Net funds at 31 March 2010	<b>16,682</b>	24,686	
Net funds at 31 March 2011	<b>21,576</b>	16,682	
<b>Analysis of net funds</b>			
	31 March 2010 £000	Cashflow £000	31 March 2011 £000
Cash at bank and in hand	16,682	4,894	<b>21,576</b>

## 20 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 2015.

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 6 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

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

<b>Early Retirement</b>	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 31 March 2010	<b>194</b>	289	<b>194</b>	289
Addition to Provision	<b>1,406</b>	0	<b>1,406</b>	0
Payments against Provision	<b>(79)</b>	(112)	<b>(79)</b>	(112)
Unwinding of discount	<b>11</b>	17	<b>11</b>	17
Balance at 31 March 2011	<b>1,532</b>	194	<b>1,532</b>	194
<b>Redundancy Provision</b>	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 31 March 2010	<b>127</b>	106	<b>31</b>	106
Addition to Provision	<b>23</b>	128	<b>23</b>	32
Payments against Provision	<b>(101)</b>	(14)	<b>(5)</b>	(14)
Unwinding of discount	<b>(27)</b>	(93)	<b>(27)</b>	(93)
Balance at 31 March 2011	<b>22</b>	127	<b>22</b>	31
<b>Total Provision for liabilities and charges</b>	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 31 March 2010	<b>321</b>	395	<b>225</b>	395
Addition to Provision	<b>1,429</b>	128	<b>1,429</b>	32
Payments against Provision	<b>(180)</b>	(126)	<b>(84)</b>	(126)
Unwinding of discount	<b>(16)</b>	(76)	<b>(16)</b>	(76)
Balance at 31 March 2011	<b>1,554</b>	321	<b>1,554</b>	225

## 21 Capital commitments

Outstanding capital commitments at 31 March 2011 amounted to £0.264m (2010: £3.026m).

## 22 Energy services and energy management services contracts

i) On 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 ongoing 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 which is to charge the monthly fee payable to Vital Energi Services Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 5.

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 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 are required to design, supply, install and commission plant and equipment to deliver electrical power, lighting, heating, low temperature hot water, and chilling services. They are also responsible for the ongoing operation and maintenance of the plant and equipment for a 15 year period scheduled to commence on 28th September 2011.

The accounting treatment which is to charge the monthly fee payable to Total Gas Contracts Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 5.

## 23 Related party transactions

The Natural History Museum is a Non-Departmental Public Body of the Department for Culture, Media and Sport (DCMS).

DCMS is regarded as a related party. 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:

Receipt of grant-in-aid from DCMS (see note 2) £48,679,000.

At 31 March 2011, there was no balance due to or from DCMS.

Supply of heat and power to the Victoria and Albert Museum £1,014,000.

At 31 March 2011, there was a balance due from the Victoria and Albert Museum of £468,000.

Supply of power and Health and Safety advisory services to the National Museum for Science and Industry £518,000.

At 31 March 2011, there was a balance due from the National Museum for Science and Industry of £188,000.

Supply of Health and Safety advisory services to the National Portrait Gallery of £20,350 and to the Horniman Museum of £12,475.

During the year none of the Trustees or members of the senior management has undertaken any material transactions with the Museum.

Professor Alex Halliday is a Council Member of the Natural Environment Research Council (NERC) from which the Museum received grants during the year.

Ian Henderson and Dr Michael Dixon are Council Members of the Royal Albert Hall. The Museum manages the grant funding for the Invest to Save project in which the Royal Albert Hall is a partner and from which they have received funding.

Professor Georgina Mace is Director of NERC's Centre for Population Biology at Imperial College. During the year the Museum cooperated in research programmes with Imperial College, and operated in partnership with Imperial College on the Open Air Laboratory Project for which the Museum received National Lottery funding via Imperial college. In addition the Museum manages the grant funding for the Invest to Save project in which Imperial College is a partner and from which they have received funding.

#### **24 Contingent liabilities and assets**

There were no contingent liabilities or assets at the balance sheet date.

#### **25 Post Balance Sheet events**

The authorised date for issue of these accounts is the date on which the accounts are certified by the Comptroller and Auditor General.

There were no other post balance sheet events.



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