

# Natural History Museum Annual Report and Accounts 2014-2015

# Natural History Museum Annual Report and Accounts 2014-2015

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

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## The Trustees' Annual Report

### Reference and administrative details

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

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

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

	<b>Appointment period</b>	<b>Appointed by</b>
Lord Stephen Green (Chair)	To 31 March 2018	Prime Minister
Professor Sir Roy Anderson FRS FMedSci	To 31 March 2016	Co-opted
Professor Sir John Beddington CMG FRS	To 14 May 2017	Co-opted
Professor David Drewry	To 5 May 2016	Prime Minister
Professor Christopher Gilligan CBE	To 18 May 2019	Prime Minister
Professor Sir John Holman	To 18 September 2015	Prime Minister
Dr Derek Langslow CBE	To 5 May 2016	Prime Minister
Anand Mahindra	To 31 December 2018	Co-opted
Hilary Newiss	To 4 January 2019	Prime Minister
Simon Patterson	To 4 January 2019	Prime Minister
Professor Stephen Sparks FRS CBE	To 31 December 2018	Royal Society
Dr Kim Winser OBE	To 17 February 2017	Prime Minister

The Trustees' register of interest is available for inspection on application.

**Museum Director and Accounting Officer** Sir 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', the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, 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 Part 3 of the Charities Act 2011.										
<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, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister are appointed by open competition.</p> <p>On 1 April 2014 Lord Stephen Green was appointed as a trustee and Chair of the Board Trustees. Anand Mahindra, Hilary Newiss, Simon Paterson, and Stephen Sparks were also appointed as trustees during the year.</p> <p>Further details of Trustees who served during 2014-15 are included in the Governance Statement.</p>										
<b>Organisational structure</b>	<p>During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.</p> <p>The Executive Board reflects the functional operation of the Museum and consists of:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Director of the Museum</td> <td>Sir Michael Dixon</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>Neil Greenwood</td> </tr> <tr> <td>Director of Development</td> <td>Fiona McWilliams (appointed 1 June 2015)</td> </tr> <tr> <td>Director of Public Engagement</td> <td>Dr Justin Morris</td> </tr> <tr> <td>Director of Science</td> <td>Professor Ian Owens</td> </tr> </table> <p>Michael Dixon was awarded a Knights Bachelor in the Honours List (June 2014) for services to museums.</p>	Director of the Museum	Sir Michael Dixon	Director of Finance and Corporate Services	Neil Greenwood	Director of Development	Fiona McWilliams (appointed 1 June 2015)	Director of Public Engagement	Dr Justin Morris	Director of Science	Professor Ian Owens
Director of the Museum	Sir Michael Dixon										
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Director of Public Engagement	Dr Justin Morris										
Director of Science	Professor Ian Owens										
<b>Staff and organisation</b>	<p>The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.</p> <p>Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.</p> <p>The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.</p> <p>During the year the Museum employed 891 (average full time equivalents) of which 624 were on permanent contracts.</p> <p>The average days sickness per year for permanent and fixed term contract staff was 4.64 days per full time equivalent (2014: 3.86). Comparatives for 2014 have been restated to include long term sickness.</p> <p>Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 6 to the Accounts).</p>										

In December 2014 the Museum was re-awarded the Investors in People Standard.

A volunteer force of c500 people assisted the Museum during 2014-15.

**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.

**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 and a Management Agreement.

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

**Group entities**

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

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

## Objectives and Activities

**Mission** The Natural History Museum's purpose is to challenge the way people think about the natural world – its past, present and future.

**Objectives** The Natural History Museum is one of the world's great institutions and is the guardian of the national collection of more than 80 million natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, Museum Scientists actively work with the collections, and by opening up access and participation for all, make it possible to address some of the big issues and challenges facing humanity and the planet:

- The origins of our planet and life on it, and the impact of change
- The diversity of life and the delicate balance of ecosystems that ensure the survival of our planet
- The security of our food supply, the eradication of disease and the management of mineral and ore scarcity

One of the country's leading visitor attractions, the Museum is also dedicated to making natural history as accessible as possible to a wide range of people in this country and worldwide. It does so by means of its special exhibitions, publications, and its teaching and outreach programmes, including via the web. It supports all of these activities with high quality staff, services and facilities.

In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring, Hertfordshire, which houses the collections bequeathed by Lionel Walter Rothschild and is also home to the world-class collections of the Natural History Museum's Bird Group.

The Museum launched a **Strategy to 2020** in January 2015 which set out an ambition to redefine the Museum and its impact on society, and strategic priorities for the next five years, organised to reflect our commitment to extending our impact – digitally, nationally, internationally, and in London.

- **Digital**

We will use technology to deepen engagement with the collection, including mass digitisation of specimens, engaging virtual communities worldwide and creating innovative digital platforms.

- **National**

We will create national networks to support citizen science in schools, engage society with UK biodiversity through citizen science and open up the UK's natural history collections by sharing skills and facilities.

- **International**

We will develop our global relationships to create new commercial opportunities, build capacity among our partners, and tackle major scientific challenges, such as biodiversity loss, the spread of diseases and the supply of scarce minerals.

- **London**

We will build on our position as one of the world's great public museums in a truly global city to enhance the experience of our visitors through a series of major capital developments to improve the grounds, the Hintze Hall, galleries and learning centre.



**Achievements and activities during 2014-2015**

To achieve these goals we will develop a new business model that builds our potential to increase income from commercial opportunities and philanthropic and corporate partnerships.

The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction of the Museum.

Continuing the high levels of visitor numbers since the opening of the Darwin centre in 2009, 2014-15 marked another excellent year. Supported by the special exhibition programme, permanent galleries and the programme of public events, total visitors to South Kensington and Tring amounted to just over 5.4 million which was a marginal decrease from last year's record attendance.

Among the visitors figure were 1,421,000 children (2014: 1,452,000).

The number of children in organised educational programmes both on-site and outreach amounted to 542,000 (2014: 497,000), a record number, maintaining the growth in recent years, and reflecting a growth in school bookings and the opportunities for engagement in the Darwin Centre. A key component of the outreach programme is Real World Science. Now in its 11th year, the Museum operates with a consortium of UK museums to provide out of classroom learning for secondary schools.

The main special exhibitions at South Kensington were *Britain: One Million years of the Human Story*, *Sensational Butterflies*, an outdoor exhibition held in a butterfly house in the east grounds and *Mammoths: Ice Age Giants* which featured fossils, skeletons and models of some of the largest mammals to have walked on Earth and the world's most complete mammoth specimen, *Lyuba*, a baby woolly mammoth discovered in Siberia in 2007. *The Wildlife Photographer of the Year*, the 50th anniversary, opened in the autumn and *Coral Reefs: Secret Cities of the Sea* featuring 250 of the Museum's specimens and, delivered in partnership with Catlin Insurance Group, opened in March 2015. In December 2014, the Museum unveiled for permanent display the most complete skeleton of the iconic dinosaur *Stegosaurus stenops* which was funded by external donor support.

The main exhibitions at Tring which welcomed a total number of visitors of 154,000, just marginally below the record of 157,000, were *Deadly!*, based on the children's book by Nicola Davis, looking at predators, *The Wildlife Photographer of the Year*, and *A Shot in the Park*, a photography exhibition exploring the relationship between the Museum at Tring and the adjacent Woodland Trust site.

A regional touring exhibition, titled *Humans in Ancient Britain* was launched during the year in partnership with a number of regional museums. It includes a display of representative material from the Ancient Human Occupation of Britain project, featuring some of the oldest human remains ever found in Britain – for example, the Swanscombe skull, found in Kent is about 400,000 years old – and it will continue to tour throughout 2015.

Two citizen science projects were launched during the year. *The Microverse* is a project to introduce genomics to young people in schools, which has engaged over 140 schools and community groups to sample microbes (bacteria, algae and others) from the outside of buildings with the data sent to the Museum for analysis and reports sent back to the participants. *Orchid Observers* engages volunteers to investigate the possible effects of climate change in altering flowering times.

In September 2014 the fourth European Commission (EC) funded event Science Uncovered took place in the Museum. Working with numerous partner organisations, the event attracted over 8,800 public visitors to South Kensington and Tring for an evening of extensive contact and interaction with the Museum's

scientific activities and staff, demonstrating the importance of scientific research and collections based study, and encouraging young people to consider taking up careers in science.

Other popular events included the Bat Festival in July 2014 which explored the Museum's bat collection, and the Big Nature Day in which experts from local and national wildlife groups joined museum scientists to showcase the best of British wildlife. In Spring 2014, the Museum again participated as a lead partner in the three-day Lyme Regis Fossil Festival on the Jurassic Coast World Heritage Site. Over 12,000 visitors attended, and Museum staff across all disciplines delivered a programme of activities including on marine environments, other local biodiversity and geology, and fossil identification.

The new NHM website was launched in January 2015, providing a leaner more focussed offering, with improved search engines. Further development work will take place during 2015-16. In the meantime the website continued to attract a high level of visits with almost 10.3m unique user visits to the site (2014: 8.9m).

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

- The Museum continues to lead the consortium of 18 natural history collections based organisations across Europe with funding provided by the European Commission's Infrastructure Programme for the third phase of the SYNTHESYS project. The project focusses on access to collections and collaboration, mobility of researchers, joint research activity and network activity. The project has operated since 2004 with total funding now amounting to €28 million;
- Information on more than 2.76m of the Museum's specimens is now available via the NHM data portal launched in December, a platform for deposition and discovery of the Museum's research and collections data;
- iCollections, the Museum's first large-scale digitisation project, covering the entire collection of British moths and Lepidoptera, over 180,000 specimens, was completed with full launch scheduled for 2015. Other digitisation initiatives, in partnership with RBG Kew include the digitisation of over 60,000 herbarium specimens from the Solanaceae and Dioscoreaceae collections;
- A paper describing the data collection and curation processes for the PREDICTS project database was published in Ecology & Evolution. The project has collated over 500 data sets worldwide, covering 20,000 sites in over 90 countries, documenting the responses of terrestrial assemblages to human impacts such as land use change;
- Two museum scientists co-authored an article published in Science on the first laboratory analysis of interstellar dust grains, which was collected by NASA's Stardust Mission;
- Museum palaeontologists were authors of a paper in Nature on the evolutionary relationship of anomalocaridids to arthropods;
- The Museum, a founder of the UK CT Consortium of Tomography Laboratories, organised and hosted the second Tomography for Scientific Advancement Conference;
- The Annual Science Lecture, *Science as Revolution*, was delivered by Sir Paul Nurse, the President of the Royal Society and Director of the Francis Crick Institute, exploring how science has brought about revolutionary changes in the understanding of ourselves and the natural world;

- The Museum was part of a consortium that secured funding of over €5m under the EU Horizon 2020 societal challenge programme looking at the competitiveness of the mining of European mineral resources and development of the skills and processes required (FAME : Flexible and Mobile Economic Processing Technologies);
- A further consortium award of €1.5m was secured under the Horizon 2020 programme for EURO-CARES: European Curation of Astromaterials Returned from the Exploration of Space, which will examine such material including samples from Mars;
- The Calleva Foundation continued to support research projects in human origins and the ancient human occupation of Britain;
- 108 PhD students were jointly supervised;
- 867 peer reviewed scientific papers were published;
- Approximately £5.1m scientific grant funding (excluding value to collaborators) was secured from 23 major awards (2014: £4.7m);
- Approximately 14,600 scientific visitor days were recorded, including those visiting under the SYNTHESYS project.

Other significant developments and achievements during the year included:

- The Museum received a pledge of £5m from the Hintze Family Charitable Foundation to support future gallery developments;
- The roll out of free public WiFi was completed at South Kensington site and installed at Tring;
- Supported by a grant from the DCMS and Wolfson Gallery Improvement Fund, the Rothschild Room at Tring was re-developed to display a wider variety of collections material and tell the stories of the formation of the Natural History Museum at Tring, the research collections and the scientists who worked on them;
- A visitor app, supported by Mastercard, and linking with location aware WiFi was launched in November;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001; and
- The Museum was re-awarded OHSAS 18001 certification which is the internationally recognized assessment specification for occupational health and safety management systems.

Achievement against performance indicators for 2014-15, including core indicators as set out in the Funding Agreement, is shown in Appendix 1 to the Trustees' report.

## Plans for 2015-2016

The main special exhibitions at South Kensington through to September 2015 are *Coral Reefs: Secret Cities of the Sea*, and *Sensational Butterflies*. The *Wildlife Photographer of the Year 2015* will open in the autumn.

At Tring the main summer exhibition is *Myths and Monsters* which is open through to September 2015.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in taxonomy, systematics and scientific research by continuing the implementation of the Science Strategy and by seeking to increase the proportion of research that is published in higher impact journal titles as well as competing for and increasing peer reviewed funding.

For the collections, the focus will be on developing further plans to improve collections storage, including designs for an earth and planetary sciences centre, to complement the Museum's successful life sciences facility, the Darwin Centre, and continuing to invest in digitisation to make the collections images and data available via the web to both scientific and public users.

There will be continued investment in galleries including in the Hintze Hall, and the delivery of plans to improve circulation and members' facilities, as well as further development of the grounds design through to an application for planning permission.

In addition investment in the development of the new website and development of the ecommerce site will continue.

### The Natural History Museum and consolidation

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, there was an overall deficit for the year on resources before transfers and asset revaluation of £0.2m (2014: £5.9m deficit). This was a significant improvement of £5.7m on the deficit for 2014-15, but reflects a one off capital grant payment of £6m from the Natural History Museum Development Trust.

The table below which reconciles revenue activity and fixed asset movements in year with the Statement of Financial Activities (page 26) shows that there was a surplus on operating income and expenditure before revaluations and depreciation of £8.2m which also includes the one off £6m capital grant, and hence the underlying surplus amounts to £2.2m.

	Operational Activity £000	Designated Activity £000	Restricted and endowment Activity £000	Fixed Assets £000	Total £000
Grant in aid	41,005	–	–	2,379	<b>43,384</b>
Self-generated income	29,699	2,393	6,953	–	<b>39,045</b>
Investment income	45	51	4	–	<b>100</b>
Running costs	(62,515)	(2,356)	(5,402)	–	<b>(70,273)</b>
<b>Net resources before depreciation, asset indexation &amp; revaluation, and currency revaluation</b>	<b>8,234</b>	<b>88</b>	<b>1,555</b>	<b>2,379</b>	<b>12,256</b>
Depreciation & loss on disposal	(46)	–	–	(11,650)	<b>(11,696)</b>
Loss on foreign exchange	(798)	–	–	–	<b>(798)</b>
<b>Net resources before transfers and asset revaluation</b>	<b>7,390</b>	<b>88</b>	<b>1,555</b>	<b>(9,271)</b>	<b>(238)</b>
Gain on investments	–	–	–	79	<b>79</b>
Gain on revaluation of fixed assets	–	–	–	13,567	<b>13,567</b>
Transfers	(3,513)	55	316	3,142	–
Movement for the year	3,877	143	1,871	7,517	<b>13,408</b>
Opening reserves	2,974	9,696	617	467,842	<b>481,129</b>
Closing reserves	6,851	9,839	2,488	475,359	<b>494,537</b>

Total incoming resources shown in the Statement of Financial Activities amounted to £82.5m (2014: £75.1m), an increase of £7.4m, with a reduction in grant in aid from £44.3m to £43.4m and a reduction in scientific grant and contract income being more than accommodated by increases in donation income (including capital grant), admissions income and sponsorship.

There was also an overall increase in resources expended of £1.8m to £82.8m (2014: £81.0m), which reflects significant non capitalised development expenditure for future projects at South Kensington and an increase in energy, IT and digital costs. Of the total resources expended the total expenditure on charitable activities has remained consistent to prior year's at £58.2m (2014: £58.1m). Total depreciation amounted to £11.6m (2014: £12.5m) and support costs excluding support costs depreciation amounted to £16.4m (2014: £15.7m) reflecting the increased project development expenditure and digital and IT costs.

The total fund balance and reserves at the year end amounted to £494.5m (£481.1m) of which £475.4m (2014: £467.8m) is represented by fixed assets, predominantly consisting of the museum's land and buildings. Of the remaining reserves the General Fund, the unrestricted and non-designated reserve, has increased by £3.9m to a surplus of £6.9m (2014: £3.0m), which is in excess of the minimum reserve figure of £2.5m by £4.4m. In addition, within the Designated Fund there are reserves of is £9.8m (2014: £9.7m) for future, mostly capital, projects and for future scientific research projects, and £2.5m of reserves within the Restricted Fund for future investment and activities.

**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, sale of animatronic models, the Wildlife Photographer of the Year Competition, and consultancy.

The net operating profit for 2014-15 amounted to £5.3m (2014: £4.3m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2014-15 this amounted to £5.3m (2014: £4.3m).

The results of the Trading Company are included in the Museum's consolidated accounts and are summarised in Note 11.

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 Executive of the Natural History Museum which takes into account the objectives of the original funds.

During the year the fund received income amounting to £49.5k (2014: £48.3k) and incurred expenditure of £15.9k (2014: £83.4k). At 31 March 2015 the value of the Fund amounted to £1.529m (2014: £1.424m) including investments valued at £1.437m (2014: £1.366m) and cash of £102k (2014: £61k).

**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.

At the meetings of the Trust in 2013 and 2014 the Trustees approved a resolution for the permanent endowment fund held by the Trust to be freed from the restrictions with respect to its expenditure and, to use the funds of the Trust to support a major project to digitise and rehouse the British Lepidoptera collection. The Trustees also approved that the Trust should be closed once the funds have been utilised.

During the year the fund received income amounting to £4.9k (2014: £5.5k) and incurred expenditure of £0.2k (2014: £0.3k). At 31 March 2015 the value of the Fund amounted to £175.4k (2014: £164.4k). This includes cash of £175.5k (2014: £16.1k), an increase arising from the disposal of investments during the year (2014: £148.2k) in preparation for the transfer of funds to the Natural History Museum and closure of the Trust.

### 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 2015 was £35.5k (2014: £33.1k).

### 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 current funding settlement was issued in December 2013, though there have been subsequent revisions to the resource grant-in-aid.

The grant-in-aid which the Museum is to receive over the period 2014-15 to 2015-16, is as follows:

£m	2014-15	2015-16
Resource Grant-in-aid	41.055	39.515
Capital Grant-in-aid	2.379	2.300
Total	43.384	41.815

### Reserves Policy

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves (i.e. those funds that are not restricted or tied up as fixed assets), in particular the unrestricted General Reserve, appropriate to the scale, complexity and risk profile of the Museum. This takes into consideration the funding base which consists predominantly of grant-in-aid under the funding agreement with 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 2014 a minimum level of General Fund of £2.5m. At the 31 March 2015 the General Fund amounted to £6.9m.

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 Management Agreement 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 within restricted funds are held 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. The policy addresses liquidity, credit, interest rate and procedural risk.

## Sustainability

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

### Key performance data

	2012-13	2013-14	2014-15
Greenhouse gas emissions (tonnes CO <sub>2</sub> )*	11,242	11,601	10,371
Energy consumption (MWh)	27,853	29,280	31,414
Water consumption (m <sup>3</sup> )	91,980	94,348	90,837
Waste (tonnes)	424	507	513

Energy consumption has been gradually increasing since 2012-13 to reflect the Museum's increasing public activities and use of facilities, and the introduction of additional cooling plant to improve environmental conditions for the Museum's collections.

Specific activities undertaken and achievements during 2014-15 include:

- ISO 14001 Environmental Management certification was re-awarded based on the on-going audit assessment;
- The Museum launched the National Union of Students' Green Impact Scheme in October 2014 to promote sustainable behaviour change through the completion of online workbooks by staff;
- The Museum are looking to embark on a sub-metering rationalisation project in 2015-16 which will enable a more accurate and specific measurement of consumption across the site. This will help identify the causes of increases in consumption and allow for better decision making; and
- The Museum appointed an Energy and Sustainability Manager in December 2014 to help develop and implement a sustainability strategy for the Museum.

## Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2014-15 in excess of 95% of creditors were paid within the agreed period (2014: in excess of 95%).

## Disclosure of relevant audit information

At the time of approving the financial statements:

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

30 June 2015

## Appendix 1

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

Performance indicator	14-15 Outturn	13-14 Outturn	12-13 Outturn	11-12 Outturn	10-11 Outturn
<b>Visitors</b>					
Total number of visitors	5,426,000	5,579,000	5,132,000	4,992,000	4,812,000
Number of child visitors #1	1,421,000	1,452,000	1,287,000	1,243,000	1,169,000
Number of over 60s visitors #1	312,000	311,000	235,000	200,000	375,000
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	240,000	363,000	327,000	186,000	313,000
% of visitors who thought the museum was excellent/good #1 #2	96	94	97	97	98
<b>Other Access</b>					
Number of unique website visits	10,278,971	8,607,235	7,332,006	7,992,592	7,397,821
Number of specimens loaned	65,079	34,216	49,320	31,937	36,746
Number of UK loan venues #3	95	133	135	131	182
Number of enquiries to Science Group	10,494	14,441	11,960	13,743	15,825
<b>Learning</b>					
Number of children aged 16 and under in on and off site organised educational sessions	542,029	497,123	492,295	497,139	474,211
<b>Research</b>					
Number of peer reviewed research publications #4	867	721	668	807	609
Value of major research grants won (£m total value to the Museum)	5.1	4.7	2.1	2.0	3.3
Number of visitor days for visiting researchers	14,574	14,813	14,454	13,572	13,829
<b>Income generation</b>					
Gross income from admissions (£m)	3.56	2.46	2.06	2.39	1.59
Net income from trading activities (£m) #5	11.50	9.61	8.42	9.37	7.49
Fundraising income (£m)	11.18	3.58	1.97	2.05	3.63
<b>Charitable Giving</b>					
Total income from charitable giving (£m)	11.48	3.52	2.15	2.26	3.42
Charitable giving as a % of grant in aid	26%	8%	5%	5%	7%

#1 Based on sampling.

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

#3 Reported figures for 2012-13 and 2013-14 have been amended to reflect the UK loan venues in place at the beginning of the year as well as during the year and therefore comparable to other disclosed years.

#4 Comparative figures for 2010-11, 2012-13 and 2013-14 were previously disclosed as the 'total number of publications'. These figures have been amended to reflect the 'total number of peer reviewed publications' only.

#5 Includes the contribution from trading activities excluding depreciation.



## Report on the Remuneration of Senior Management

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

The Trustees receive no remuneration.

### Service contracts

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

The senior management of the Museum hold appointments which are open-ended with a notice period of six months. Termination payments are in accordance with contractual terms. During the year 2014-15 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 2014-15 comprised:

*David Drewry*  
*Stephen Green*  
*John Holman*

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

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

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

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

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

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

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>1</sup>		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	180-185	180-185	20-25	20-25	1,700	1,600	45-50	30-35	230-235	215-220
Neil Greenwood <i>Director of Finance and Corporate Services</i>	115-120	115-120	5-10	5-10	–	–	20-25	10-15	140-145	130-135
Professor Ian Owens <i>Director of Science</i>	120-125	115-120	5-10	5-10	–	–	40-45	40-45	160-165	155-160
Dr Justin Morris <i>Director of Public Engagement (From 15 April 2013)</i>	115-120	105-110 (FTE salary 110-115)	5-10	–	–	–	30-35	135-140	150-155	240-245

The above information has been subject to audit.

### 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.

Bonus payments are also shown separately in the remuneration table.

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

### Benefits in kind

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

### Pay multiples

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

The remuneration of the highest-paid director in the financial year 2014-15 was £180,000-£185,000 (2014: £180,000-£185,000). This was 5.8 times the median salary of the workforce, which was £31,714 (2014: 6.1 times the median of £29,726).

In 2014-15, nil employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,467 – £120,000 (2014: £13,012 – £120,000).

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

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

**Pension benefits**

	Accrued pension at pension age as at 31 March 2015 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2015 £'000	CETV at 31 March 2014 £'000	Real increase in CETV £'000	Employer contribution to pension account £'000
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	26.5	3.0	507.7	433.0	46.3	25.9
Neil Greenwood <i>Director of Finance and Corporate Services</i>	32.7 plus lump sum of 98.1	1.5 plus lump sum of 4.4	598.0	549.0	16.8	27.0
Professor Ian Owens <i>Director of Science</i>	9.3	2.7	100.0	68.3	18.0	27.4
Dr Justin Morris <i>Director of Public Engagement (from 15 April 2013)</i>	31.6	2.1	362.7	325.7	13.7	27.1

The actuarial factors used to calculate Cash equivalent transfer values (CETV) were changed in 2014-15. For consistency the CETVs at 31 March 2014 and 31 March 2015 have both been calculated using the new factors. The CETV at 31 March 2014 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, civil servants 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2015. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on 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 Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a 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 <http://www.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values (CETV)**

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

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

### **Real increase in CETV**

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

### **Other information**

None of the Directors held any other positions or 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	2014-15			2013-14		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	11	–	11	6	12	18
£10,000-£25,000	–	2	2	3	7	10
£25,000-£50,000	–	1	1	–	5	5
£50,000-£100,000	–	–	–	–	3	3
£100,000-£150,000	–	–	–	–	–	–
Total number of exit packages	11	3	14	9	27	36
Total resource cost (£)	64,745	61,099	125,844	86,214	570,938	657,152

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

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

30 June 2015

## Statement of Trustees' and Director's Responsibilities

Under Sections 9(4) and (5) of the Museums and Galleries Act 1992, the Trustees of the Natural History Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, 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 on a reasonable basis;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer for 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.

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

30 June 2015

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

## Governance Statement

### The Governance Framework

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

The Board meets generally four times a year, though met five times during 2014-15 including an extraordinary meeting on 1 April 2014 to elect a Chair of the Board of Trustees. In addition strategy days are arranged with at least one taking place annually. The Board receives reports on a regular basis covering key performance indicators, financial performance, Science and Public Engagement activities, Audit and Risk Committee, health and safety, and an annual report on security (physical and information). In addition, the Board approves the annual budget and future financial plan and the strategic plan, receives periodic external visiting group reports on a major area of activity, usually Science based, and receives and approves major strategies and projects where appropriate.

During the year 2014-15 the following served as Trustees:

	Attendance at Board Meeting (max 5)	Attendance at Audit and Risk Committee (max 4)	Attendance Remuneration Committee (max 1)
Lord Stephen Green ( <i>appointed 1 April 2014</i> ) ( <i>Member of the Remuneration Committee</i> )	4/5	–	1/1
Daniel Alexander QC ( <i>retired 11 May 2014</i> )	1/1	–	–
Professor Sir Roy Anderson FRS FMedSci ( <i>Member of the Audit and Risk Committee</i> )	4/5	4/4	–
Professor Sir John Beddington CMG FRS	2/5	–	–
Louise Charlton ( <i>retired 30 April 2014</i> )	1/1	–	–
Professor David Drewry ( <i>Member of the Remuneration Committee</i> )	5/5	–	1/1
Professor Christopher Gilligan CBE	4/5	–	–
Professor Sir John Holman ( <i>Member of the Remuneration Committee</i> )	5/5	–	1/1
Dr Derek Langslow CBE ( <i>Chair of the Audit and Risk Committee</i> )	4/5	4/4	–
Anand Mahindra ( <i>appointed 1 January 2015</i> )	0/1	–	–
Hilary Newiss ( <i>appointed 5 January 2015</i> )	0/1	–	–
Sir David Omand GCB ( <i>retired 19 May 2014</i> )	2/2	–	–
Simon Patterson ( <i>appointed 5 January 2015</i> )	1/1	–	–
Professor Stephen Sparks FRS CBE ( <i>appointed 1 January 2015</i> )	1/1	–	–
Dr Kim Winser OBE ( <i>Member of the Audit and Risk Committee</i> )	5/5	2/2	–

Mark Richardson served as a co-opted member of the Audit and Risk Committee and attended four (of four) meetings during 2014-15.

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

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

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

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management, including on the management of specific major risks, on any internal control issues from the Risk and Assurance unit, and matters arising from external audits, and to review progress on the implementation of recommendations. The Committee also reviews a sample of audit reports and those reviewed during 2014-15 include Collections Auditing incorporating compliance with the Collections Access and Information Policy, Contract Letting and Procurement, Contract Management including the retendering for a major contract, and key financial controls for the finance system. The Chairman of the Audit and Risk Committee reports any matters arising directly to the Board.
- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Remuneration Report).
- **The Nominations Committee** meets as required to consider and make recommendations for Trustee appointments.

In addition there are 2 advisory groups – **the Estates and Buildings Advisory Committee** to provide advice on the long term management and development of the Museum's estate; and **the Science Advisory Committee** to provide advice on the Museum's scientific activities.

The Board carries out an externally facilitated review of its performance and effectiveness every three years with an internal self-assessment usually carried out in intervening years. The last external review was carried out in late 2012-13 which concluded that the Board operates very effectively, and which made some minor recommendations in relation to future governance.

### **Compliance with the Corporate Governance Code**

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

### **Scope of responsibility**

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 Agreement 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 a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2015 and up to the date of signature of the accounts.

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

The Museum has a risk management policy 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.

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

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

The current major risks being managed focus predominantly on future funding and the likelihood of continuing reductions in government funding, with the need to increase income significantly from all sources in order to mitigate this risk, grow activity and invest in capital developments. In addition there is a risk relating to the need to develop a realisable solution for the ongoing storage needs for the parts of the collection that are subject to deterioration and damage, and a risk relating to developing and implementing a new employment offer required to meet future needs.

In addition the Museum has an assurance framework to manage long term inherent risks, including those relating to security, fire, health and safety, collections care, fraud, failure of estate infrastructure and long term financial planning.

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 Policies, 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 and helped in the managing of the major and inherent risks:

- Revised Collections Management Policies were approved by the Board of Trustees;
- Continuing investment in museum wide security and fire safety infrastructure and further embedding of physical security systems and processes;
- OHSAS 18001 certification was maintained for the occupational health and safety management;
- ISO 14001 was maintained for the environmental management;
- Revision of the Business Expenses Guidelines;
- Refresher training for museum managers and key staff on key museum policies, has taken place; and
- The set-up of an onsite crisis management facility.

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

An independent audit review of the key financial controls in the new finance system, which was introduced on 1 April 2014, was carried out in autumn 2014. The review highlighted that there had been some weaknesses in control for part of the year. A follow up report in April 2015 confirmed that good progress had been made in implementing the recommendations arising from the review and that there were no remaining significant key financial control weaknesses. There is no evidence that any significant matters occurred as a result of the weaknesses.

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.

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

## Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2014-15 has been informed by the work of the Museum's Risk and Assurance Unit including the review of the controls in place for effective management of information risk and:

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

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

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

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

The annual report on audit activity, which includes the Head of Risk and Assurance's opinion is considered by the Audit and Risk Committee and presented to 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 thorough and of a satisfactory professional standard.

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

30 June 2015

## **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 2015 under the Museums and galleries Act 1992. The financial statements comprise: the Statement of Consolidated Financial Activities, the Consolidated and Museum Balance Sheet, 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, the Director and auditor**

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Natural History Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Natural History Museum's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and

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

**Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 13 July 2015**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Consolidated Statement of Financial Activities for the year ended 31 March 2015

	Notes	Unrestricted Funds				Unrestricted Funds			Permanent Endowment Funds £000	Total Funds 2014 £000	
		Unrestricted Funds		Permanent Endowment Funds £000		Total Funds 2015 £000	Designated £000	General £000			Restricted Funds £000
		Designated £000	General £000	Restricted Funds £000	Permanent Endowment Funds £000						
<b>Incoming and endowments from</b>											
<b>Incoming resources from generated funds</b>											
Voluntary income											
	2	-	43,384	-	-	43,384	-	44,314	-	44,314	
		-	-	17	-	17	-	-	99	99	
		-	6,849	2,660	-	9,509	-	825	2,292	3,117	
		-	-	396	-	396	-	-	129	129	
Activities for generating funds											
	3	-	16,212	-	-	16,212	-	16,248	-	16,248	
	3	-	1,192	-	-	1,192	-	273	-	273	
		2,387	-	-	-	2,387	2,085	-	(145)	1,940	
	4	6	544	374	-	924	24	512	304	840	
	4	51	45	4	-	100	51	50	4	105	
<b>Incoming resources from charitable activities</b>											
		-	3,945	-	-	3,945	-	3,226	-	3,226	
		-	957	3,506	-	4,463	-	775	4,062	4,837	
		2,444	73,128	6,957	-	82,529	2,160	66,223	6,745	75,128	
<b>Resources expended</b>											
<b>Costs of generating funds</b>											
	6	2,134	8,858	452	-	11,444	2,281	8,642	427	11,350	
	6	2,387	9,481	-	-	11,868	2,085	8,909	-	10,994	
<b>Charitable activities</b>											
	6	2,911	19,015	1,592	-	23,518	3,110	18,583	1,570	23,263	
	6	5,135	23,883	5,658	-	34,676	5,443	22,451	6,901	34,795	
		95	304	18	-	417	104	269	15	388	
<b>Other resources expended</b>											
		-	798	-	-	798	-	185	-	185	
	6	-	46	-	-	46	-	19	-	19	
		12,662	62,385	7,720	-	82,767	13,023	59,058	8,913	80,994	

	Unrestricted Funds			Unrestricted Funds			Permanent Endowment Funds £000	Total Funds 2014 £000
	Notes	Designated £000	General £000	Designated £000	General £000	Restricted Funds £000		
<b>Net (outgoing)/incoming resources before transfers</b>	5	(10,218)	10,743	(763)	-	(238)	-	(5,866)
<b>Transfers</b>								
<b>Gross transfers between funds</b>	18	6,236	(6,866)	630	-	-	824	-
<b>Net outgoing resources before other recognised gains and losses</b>		(3,982)	3,877	(133)	-	(238)	-	(5,866)
<b>Other recognised gains/(losses)</b>								
Gains on indexation and revaluation of fixed assets for charity's own use	7	12,886	-	681	-	13,567	-	50,787
Net gains on investments		33	-	-	46	79	51	86
<b>Net movement in funds</b>		8,937	3,877	548	46	13,408	51	45,007
<b>Reconciliation of funds</b>								
<b>Total funds brought forward</b>		400,848	2,974	76,390	917	481,129	866	436,122
<b>Total funds carried forward</b>	18	409,785	6,851	76,938	963	494,537	917	481,129

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 51 form part of these accounts.

**Consolidated and Museum Balance Sheets as at 31 March 2015**

	Note	Group 2015 £000	Group 2014 £000	Museum 2015 £000	Museum 2014 £000
<b>Fixed Assets</b>					
Tangible assets	7	<b>470,600</b>	463,565	<b>469,934</b>	462,835
Intangible Assets	8	<b>440</b>	–	<b>–</b>	–
Heritage assets	9	<b>2,861</b>	2,741	<b>2,861</b>	2,741
Investments	10	<b>1,458</b>	1,536	<b>300</b>	300
Total fixed assets		<b>475,359</b>	467,842	<b>473,095</b>	465,876
<b>Current Assets</b>					
Stock	12	<b>997</b>	755	<b>245</b>	224
Debtors	13	<b>13,731</b>	6,322	<b>12,653</b>	4,979
Cash at bank and in hand	14,15	<b>19,326</b>	20,249	<b>18,860</b>	19,896
Total current assets		<b>34,054</b>	27,326	<b>31,758</b>	25,099
<b>Liabilities</b>					
Creditors: amounts falling due within one year	16	<b>(14,179)</b>	(13,170)	<b>(11,359)</b>	(10,598)
Net current assets		<b>19,875</b>	14,156	<b>20,399</b>	14,501
Total assets less current liabilities		<b>495,234</b>	481,998	<b>493,494</b>	480,377
Provision for liabilities and charges	21	<b>(697)</b>	(869)	<b>(697)</b>	(869)
Net assets		<b>494,537</b>	481,129	<b>492,797</b>	479,508
<b>The funds of the charity</b>					
Permanent Endowment funds	18	<b>963</b>	917	<b>–</b>	–
Restricted income funds	18	<b>76,938</b>	76,390	<b>76,936</b>	76,390
Unrestricted income funds					
Designated funds	18	<b>409,785</b>	400,848	<b>408,197</b>	399,710
General funds	18	<b>6,851</b>	2,974	<b>7,664</b>	3,408
<i>Total unrestricted funds</i>		<b>416,636</b>	403,822	<b>415,861</b>	403,118
<i>Total charity funds</i>	18	<b>494,537</b>	481,129	<b>492,797</b>	479,508

*The notes on pages 30 to 51 form part of these accounts.*

The Lord Green of Hurstpierpoint  
Chairman of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

30 June 2015

**Consolidated Cash Flow Statement for the year ended 31 March 2015**

	Note	<b>2015</b> <b>£000</b>	2014 £000
Net cash inflow from operating activities	20	<b>4,498</b>	2,696
Returns on investments and servicing of finance within net cash flow	20	<b>100</b>	105
Capital expenditure and financial investment	20	<b>(5,521)</b>	(6,329)
Decrease in cash	20	<b>(923)</b>	(3,528)

*The notes on pages 30 to 51 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, 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, nor do they include The Natural History Museum Development Trust which is based in the UK, both of which are run by separate and independent trustee bodies.

#### 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 18), 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 18.

### *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	
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.

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

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

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

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

### **Intangible Assets**

During the year 2014-15, the Natural History Museum acquired the licensing rights to the Wildlife Photographer of the Year Exhibition. This has been recognised as an intangible asset with a useful estimated life of five years.

Intangible assets are stated at cost less amortisation.

### **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 13,14 and 16). 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 17.

## 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 spread evenly over the period of which the subscription relates.

## 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.

## Provision for shared services

During 2014-15 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 ring-fenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

Contributions to and releases from the Equipment Reserve are shown in the Statement of Financial Activities, Restricted Funds and Note 18.

## 2 Grant-in-aid

	<b>2015</b>	2014
	<b>£000</b>	£000
Department for Culture, Media and Sport		
Resource grant-in-aid	<b>41,005</b>	42,036
Capital grant-in-aid	<b>2,379</b>	2,278
	<b>43,384</b>	44,314
General Funds	<b>43,384</b>	44,314
	<b>43,384</b>	44,314

Grant-in-aid income credited to General Funds is available for running costs, capital improvements and collection purchases.

**3 Trading activities income**

	<b>2015</b>	2014
	<b>£000</b>	£000
Brand Management	<b>124</b>	111
Retail	<b>8,321</b>	7,950
Catering and Functions	<b>4,259</b>	4,591
Exhibitions consultancy	<b>–</b>	10
Touring Exhibitions	<b>1,749</b>	1,715
Other	<b>1,759</b>	1,871
	<b>16,212</b>	16,248

This reconciles to the Trading Company income in Note 11 as follows:

Trading subsidiary turnover	<b>16,947</b>	15,372
Less: Science consultancy (included in Scientific grants and contracts)	<b>(957)</b>	(775)
Commercial sponsorship	<b>(1,192)</b>	(273)
Add: Other trading activities income (Museum income)	<b>1,414</b>	1,924
	<b>16,212</b>	16,248

**4 Investment income and other income**

	<b>2015</b>	2014
	<b>£000</b>	£000
Income from UK equities	<b>35</b>	35
Income from other investments	<b>20</b>	20
Bank interest	<b>45</b>	50
	<b>100</b>	105
Other income		
Rentals	<b>135</b>	156
Other	<b>789</b>	684
	<b>924</b>	840

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

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

	<b>2015</b>	2014
	<b>£000</b>	£000
is stated after crediting:		
Scientific grants from the European Union	<b>906</b>	1,609
and after charging:		
Expenditure in respect of scientific grants from the European Union	<b>906</b>	1,609
Auditors' remuneration – Museum auditors		
Museum audit	<b>47</b>	47
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	<b>22</b>	21
Special Funds audit	<b>2</b>	3
other services	<b>2</b>	2
Hire of plant and machinery	<b>1,485</b>	1,039
Travel, subsistence and hospitality	<b>1,364</b>	1,414
Depreciation	<b>11,564</b>	12,621
Amortisation	<b>40</b>	–

Incoming resources of the Museum were £65,522,000 (2014: £64,031,000).

**6 Total resources expended**

	Activities undertaken directly			Activities undertaken directly		
	Support costs	Total	Support costs	Total		
	£000	£000	£000	£000	£000	
Costs of generating voluntary income	5,884	5,560	<b>11,444</b>	5,841	5,509	<b>11,350</b>
Fundraising trading	11,868	–	<b>11,868</b>	10,994	–	<b>10,994</b>
Public Engagement	16,089	7,429	<b>23,518</b>	15,993	7,270	<b>23,263</b>
Scientific curation and research	22,736	11,940	<b>34,676</b>	22,966	11,829	<b>34,795</b>
Governance	189	228	<b>417</b>	136	252	<b>388</b>
Loss on foreign exchange	798	–	<b>798</b>	185	–	<b>185</b>
Loss on disposal of fixed assets	46	–	<b>46</b>	19	–	<b>19</b>
	<b>57,610</b>	<b>25,157</b>	<b>82,767</b>	<b>56,134</b>	<b>24,860</b>	<b>80,994</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 £71,147,000 (2014: £69,868,000)

**Support costs by activity**

	Generating voluntary income	Public Engagement	Scientific	Governance	Total
	£000	£000	£000	£000	£000
2014-15					
Management	420	560	900	18	<b>1,898</b>
Human resources	324	433	696	13	<b>1,466</b>
Estates	1,935	2,586	4,156	79	<b>8,756</b>
Finance	329	440	707	14	<b>1,490</b>
Information technology	617	824	1,325	25	<b>2,791</b>
Depreciation	1,935	2,586	4,156	79	<b>8,756</b>
	<b>5,560</b>	<b>7,429</b>	<b>11,940</b>	<b>228</b>	<b>25,157</b>

	Generating voluntary income	Public Engagement	Scientific	Governance	Total
	£000	£000	£000	£000	£000
2014-15					
Management	368	486	791	16	<b>1,661</b>
Human resources	290	383	623	13	<b>1,309</b>
Estates	2,076	2,739	4,457	95	<b>9,367</b>
Finance	282	373	606	13	<b>1,274</b>
Information technology	471	621	1,011	22	<b>2,125</b>
Depreciation	2,022	2,668	4,341	93	<b>9,124</b>
	<b>5,509</b>	<b>7,270</b>	<b>11,829</b>	<b>252</b>	<b>24,860</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**

	Permanent contracts £000	Other contracts £000	<b>2015 Total £000</b>	2014 Total £000
Salaries and Wages	22,236	3,724	25,960	25,624
Superannuation	4,234	544	4,778	4,551
National Insurance	1,813	277	2,090	2,068
Cost of agency staff	–	3,784	3,784	3,436
	<b>28,283</b>	<b>8,329</b>	<b>36,612</b>	<b>35,679</b>

Included in the above staff costs are redundancy costs of £126,000 (2014: £657,000).

In addition there were early retirement costs of £11,000 were provided for in 2014-15 against the 2013-14 provision of £624,000.

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 2014-15, 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 2014-15 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 (2014: nil). Travel and subsistence expenses of £5,552 (2014: £3,445) were reimbursed to five (2014: five) Trustees.

The Remuneration of the senior management of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 14 to 18.

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

	<b>2015</b>	2014
£180,000 – £190,000	<b>1</b>	1
£120,000 – £130,000	<b>1</b>	–
£110,001 – £120,000	<b>2</b>	2
£100,001 – £110,000	<b>–</b>	1
£90,001 – £100,000	<b>1</b>	–
£80,001 – £90,000	<b>5</b>	5
£70,001 – £80,000	<b>7</b>	7
£60,001 – £70,000	<b>14</b>	10

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £555,336 (2014: £474,793).

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 891 (2014: 879) organised into the following categories:

	Permanent contracts	Other contracts	2015 Total	2014 Total
Costs of generating voluntary income	122	39	161	139
Public Engagement	163	114	277	297
Scientific curation and research	262	90	352	348
Governance	5	1	6	8
Support	72	23	95	87
	624	267	891	879

## 7 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
<b>Value</b>								
Balance 1 April 2014	372,649	65,631	3,997	37,129	11,321	20,843	4	511,574
Additions	1,377	537	904	342	190	1,728	–	5,078
Disposals	–	–	–	–	(69)	(362)	–	(431)
Revaluation	13,178	452	–	–	–	–	–	13,630
Transfers in/(out)	1,670	134	(2,842)	299	7	732	–	–
Balance 31 March 2015	388,874	66,754	2,059	37,770	11,449	22,941	4	529,851
<b>Depreciation</b>								
Balance 1 April 2014	–	–	–	25,693	7,808	14,504	4	48,009
Charge for year	4,036	4,037	–	1,227	523	1,741	–	11,564
Disposals	–	–	–	–	(58)	(327)	–	(385)
Revaluation	33	30	–	–	–	–	–	63
Balance 31 March 2015	4,069	4,067	–	26,920	8,273	15,918	4	59,251
<b>Net Book Value 31 March 2015</b>	<b>384,805</b>	<b>62,687</b>	<b>2,059</b>	<b>10,850</b>	<b>3,176</b>	<b>7,023</b>	<b>–</b>	<b>470,600</b>
Net Book Value 31 March 2014	372,649	65,631	3,997	11,436	3,513	6,339	–	463,565

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 2014, in accordance with the RICS Appraisal and Valuation Manual (the red book).

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



The professional valuations at 31 March 2014 were as follows:

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

At 31 March 2014 the valuers were of the opinion that the valuation of the premises 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.

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

	<b>2015 £000</b>	2014 £000
The current cost depreciation shown above is charged in the Statement of financial Activities (page 27) as follows:		
Historic cost depreciation included in Total resources expended	<b>11,604</b>	12,621
Depreciation arising on indexation of assets included in gains on indexation and revaluation of fixed assets for charity's own use	-	(78)
	<b>11,564</b>	12,543
	<b>2015 £000</b>	2014 £000
Gains on indexation and revaluation of fixed assets shown above is recognised in the Statement of Financial Activities as follows:		
Revaluation value	<b>13,630</b>	12,615
Prior year depreciation adjustment arising from revaluation	<b>(63)</b>	38,094
Current year depreciation adjustment arising from revaluation	-	78
	<b>13,567</b>	50,787

<b>Museum</b>	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	<b>Total £000</b>
<b>Value</b>								
Balance 1 April 2014	372,649	65,631	3,917	37,128	10,876	19,952	4	<b>510,157</b>
Additions	1,377	537	904	342	169	1,647	–	<b>4,976</b>
Disposals	–	–	–	–	–	(206)	–	<b>(206)</b>
Revaluation	13,178	452	–	–	–	–	–	<b>13,630</b>
Transfers in/(out)	1,670	134	(2,762)	299	7	652	–	<b>–</b>
Balance 31 March 2015	<b>388,874</b>	<b>66,754</b>	<b>2,059</b>	<b>37,769</b>	<b>11,052</b>	<b>22,045</b>	<b>4</b>	<b>528,557</b>
<b>Depreciation</b>								
Balance 1 April 2014	–	–	–	25,693	7,561	14,064	4	<b>47,322</b>
Charge for year	4,036	4,037	–	1,227	483	1,653	–	<b>11,436</b>
Disposals	–	–	–	–	–	(198)	–	<b>(198)</b>
Revaluation	33	30	–	–	–	–	–	<b>63</b>
Balance 31 March 2015	<b>4,069</b>	<b>4,067</b>	<b>–</b>	<b>26,920</b>	<b>8,044</b>	<b>15,519</b>	<b>4</b>	<b>58,623</b>
<b>Net Book Value 31 March 2015</b>	<b>384,805</b>	<b>62,687</b>	<b>2,059</b>	<b>10,849</b>	<b>3,008</b>	<b>6,526</b>	<b>–</b>	<b>469,934</b>
Net Book Value 31 March 2014	372,649	65,631	3,917	11,435	3,315	5,888	–	<b>462,835</b>

## 8 Intangible assets

	Intangible assets £000	<b>Total £000</b>
<b>Value</b>		
Balance 1 April 2014	–	–
Additions	480	<b>480</b>
Balance 31 March 2015	<b>480</b>	<b>480</b>
<b>Amortisation</b>		
Balance 1 April 2014	–	–
Charge for year	40	<b>40</b>
Balance 31 March 2015	<b>40</b>	<b>40</b>
<b>Net Book Value 31 March 2015</b>	<b>440</b>	<b>440</b>
Net Book Value 31 March 2014	–	–

## 9 Collections assets

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Net book value at 1 April 2014	<b>2,741</b>	1,947	<b>2,741</b>	1,947
Additions in year	<b>120</b>	794	<b>120</b>	794
Net book value at 31 March 2015	<b>2,861</b>	2,741	<b>2,861</b>	2,741

## Valuation

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

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

For these reasons the Museum has never assigned a financial value to its natural history specimens and collections. A full valuation of the entire inventory of approx. 80 million items is considered impractical, lacking in reliability and of no benefit.

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 approx. 80 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. These scientific collections are complemented by the collections of the Museum's Library. Brief summary details of the collections 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, pollen and spores, ferns and lycophytes, bryophytes, diatoms, algae, lichens and slime moulds, and is one of the most comprehensive collections in the world.

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

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

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

#### **Entomology**

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

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

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

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

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

#### **Mineralogy**

The mineralogical collection comprised approximately half 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 180,000 specimens), meteorites (about 3,000 specimens) and ores (about 30,000 specimens). The collection contains examples of about two thirds of all known mineral species, is worldwide

in coverage and has a particular strength in British and European classical material and in specimens from Commonwealth countries.

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

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

### **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 29 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 collections are also diverse in the methods of preservation used; these include wet-preserved in alcohol (and formalin), skins, skeletal material, mounted skins and articulated skeletons, eggs, microscope slides, scanning electron microscope stubs, frozen tissue and video. The Zoology collections represent a resource of infinite value to the scientists of the world; as such they need to remain physically accessible to visitors, and they need to become 'virtually' accessible to all via the Internet. The strengths of our collection lie in the historical coverage, diversity of species and geographical coverage.

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 maintain its collections in the best environmental conditions possible. These are guided for collections in storage and display by the Collections Storage Infrastructure Project (CSIP) environmental standards (2015). These standards comply as far as possible with PD5454 and PAS198. The Museum aims to preserve its paper-based archive collections in the best environmental conditions it can achieve, aspiring to PD5454 provisions for its archives and manuscript collections wherever possible.

The Museum is a Registered Museum under the Arts Council Museums Accreditation Scheme. In 2014-15 the Museum submitted its Museums Accreditation return to the Arts Council. It is currently waiting for the response to the submission.

### **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.

In 2013-14 the Museum undertook a major revision of its Policies in light of regulation and legislation changes related to Access and Benefit sharing and changes in the requirements of the Arts Council Accreditation Scheme. Of particular importance for this report are the Collections Development Policy (which includes the Museums approach to Acquisition and Disposal) and the Collections Information and Access Policy (which covers the Museum's approach to Audit and Inventory Control, Valuation and Loans).

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

### **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 five million visitors to its public galleries during 2014-15.

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>

### **Immunity from Seizure**

The Museum received Approved Status for immunity from seizure purposes on 9th April 2014.

During the year one exhibition Mammoths: Ice Age Giants. 23 May – 7 September 2014 included a single object – Lyuba, a mummified baby mammoth, for which immunity was requested. Information was published on the NHM website in accordance with the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations.

No concerns were raised during provenance research, and no enquiries or claims were received.

### **Specimens loaned**

Under the British Museum Act 1963, the Museum can make loans for research as well as exhibition purposes. Loans are made in accordance with the Museum's Collections Access and Information Policy approved by the Trustees in February 2014. Each year Science group undertake hundreds of research loans comprising many

thousands of items which are used in research projects on every continent. Study of these items contributes to countless conference talks, books, monographs, papers and PhD's and is an essential way in which the Museum makes its collections available across the globe. During the year, 65,079 specimens were loaned towards research purposes.

During the year approximately £92,000 was spent on collections purchases, below the capitalisation threshold. Notable amongst these purchases have been further spiny trilobite specimens and the rostrum of the Late Cretaceous sawfish from Morocco, Additionally £120,000 was spent on acquisitions that have been added to the asset register. Entomological collections valued at approximately £180,230 from the donation of private collections, consist of individual items below the capitalisation threshold, and have therefore not been added to the fixed asset register.

Feasibility studies continued to be developed relating to the storage of those collections considered not to be held under acceptable conditions across the three sites occupied by Natural History Museum Collections (South Kensington, Tring and Wandsworth). Work on plans for the Earth and Planetary Sciences Centre plans continued and will be complete to RIBA Stage 2 by the end of May 2015. The Museum continued to work with DCMS and other partners on additional collections storage needs for expansion in relation to the possibilities for developing shared storage facilities. These facilities would be active collections storage and work space not dark storage.

### Acquisitions Summary 2010-15

	2010-11	2011-12	2012-13	2013-14	2014-15
	£000	£000	£000	£000	£000
Acquisitions >£5k	–	330	95	794	120
Donations > £5k	–	–	–	–	–

### 10 Investments

	Market Value at 1 April 2014	Additions	Increase in market value	Disposals	Market Value at 31 March 2015
	£000	£000	£000	£000	£000
<b>Group</b>					
UK Equities	990	–	34	(86)	938
Other UK investments	546	–	45	(71)	520
	1,536	–	79	(157)	1,458
<b>Museum</b>					
UK investment in Subsidiary	300	–	–	–	300
	300	–	–	–	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.

### 11 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 2015 £000</b>	Total 2014 £000
<b>Income and expenditure</b>		
Turnover	<b>16,947</b>	15,372
Cost of sales	<b>(6,465)</b>	(5,551)
Gross profit	<b>10,482</b>	9,821
Other expenses	<b>(5,139)</b>	(5,491)
Operating profit	<b>5,343</b>	4,330
Interest receivable and similar income		
Amount of gift-aided donation to Museum	<b>(5,343)</b>	(4,330)
Loss on ordinary activities before taxation	-	-
Taxation		
Retained in subsidiary	-	-
	<b>2015 £000</b>	2014 £000
<b>Balance Sheet</b>		
Fixed assets (equipment)	<b>1,105</b>	729
Current assets	<b>3,202</b>	2,575
Current liabilities	<b>(4,007)</b>	(3,004)
<b>Net assets</b>	<b>300</b>	300
<b>Share capital and reserves</b>	<b>300</b>	300

## 12 Stock

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Finished goods and goods for resale	<b>973</b>	692	<b>221</b>	161
Work in progress	<b>24</b>	63	<b>24</b>	63
	<b>997</b>	755	<b>245</b>	224

## 13 Debtors

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Trade Debtors	<b>2,301</b>	1,471	<b>704</b>	687
Other Debtors	<b>1,655</b>	371	<b>1,585</b>	367
Amounts due from subsidiary undertaking	-	-	<b>1,221</b>	-
Prepayments and accrued income	<b>9,775</b>	4,480	<b>9,143</b>	3,925
	<b>13,731</b>	6,322	<b>12,653</b>	4,979

Included in the above figures are balances due from central government bodies of £723,000 (2014: £371,000) at 31 March 2015.

	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000	<b>Museum</b> <b>2015</b> <b>£000</b>	Museum 2014 £000
Debtors include the following financial instruments:				
Gross trade debtors	<b>3,065</b>	2,462	<b>704</b>	687
Less: provision for impairment	<b>(764)</b>	(991)	<b>-</b>	-
	<b>2,301</b>	1,471	<b>704</b>	687
Other debtors	<b>1,655</b>	371	<b>1,585</b>	367
	<b>3,956</b>	1,842	<b>2,289</b>	1,054

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:

	<b>£000</b>
Not due	<b>973</b>
up to 30 days past due	<b>285</b>
30-60 days past due	<b>833</b>
Over 60 days past due	<b>210</b>
	<b>2,301</b>

#### 14 Cash at bank and in hand

	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000	<b>Museum</b> <b>2015</b> <b>£000</b>	Museum 2014 £000
Balances held with the Government Banking Service	<b>10,980</b>	17,720	<b>10,980</b>	17,720
Balances held with commercial banks and cash in hand	<b>8,346</b>	2,529	<b>7,880</b>	2,176
	<b>19,326</b>	20,249	<b>18,860</b>	19,896

Included in the above are balances in Euros of £5,733,263 (2014: £5,240,321) 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 short term 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 deposit with any counterparty other than the Government Banking Service 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.

#### 15 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 2015 the cash balances held for third parties amounted to £1,754,879 (2014: £404,821).



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

	<b>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000	<b>Museum</b> <b>2015</b> <b>£000</b>	Museum 2014 £000
Trade Creditors	<b>1,964</b>	1,043	<b>1,634</b>	1,002
Other Creditors	<b>1,439</b>	1,610	<b>1,415</b>	1,412
Deferred income	<b>6,545</b>	7,194	<b>4,478</b>	4,747
Amounts due to subsidiary undertaking	–	–	–	434
Accruals	<b>4,231</b>	3,323	<b>3,832</b>	3,003
	<b>14,179</b>	13,170	<b>11,359</b>	10,598

Included in the above figures there were balances due to other central government bodies of £31,000 (2014: £22,000) and due to local authorities of £2,300 (2014: £740,000) as 31 March 2015.

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>Group</b> <b>2015</b> <b>£000</b>	Group 2014 £000	<b>Museum</b> <b>2015</b> <b>£000</b>	Museum 2014 £000
<b>Deferred income</b>				
As at 1 April 2014	<b>7,194</b>	4,786	<b>4,747</b>	2,844
Deferred in current year	<b>2,766</b>	5,755	<b>1,508</b>	4,333
Released from previous year	<b>(3,415)</b>	(3,347)	<b>(1,777)</b>	(2,430)
As at 31 March 2015	<b>6,545</b>	7,194	<b>4,478</b>	4,747

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.

**17 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 of £1,213,000 (2014: £1,213,000) due in the next year of the contracts in place at 31 March 2015 by remaining duration of the lease is as follows:

	Land and buildings £000	Other assets £000	<b>Total</b> <b>2015</b> <b>£000</b>	Total 2014 £000
Duration of the lease:				
within one year	–	1	<b>1</b>	1
in second to fifth year	40	126	<b>166</b>	166
over 5 years	–	1,046	<b>1,046</b>	1,046
	40	1,173	<b>1,213</b>	1,213

**18 Statement of Funds**

	At 1 April 2014 £000	Income £000	Expenditure £000	Net Investment Gains/ losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2015 £000
<b>Restricted Funds</b>							
Scientific Grants	–	3,901	(3,901)	–	–	–	–
Grant in aid	116	–	(7)	–	–	–	109
Sponsored assets	75,773	1,960	(2,738)	–	681	630	76,306
Projects/Other Funds	274	700	(678)	–	–	–	296
Donations in kind	–	396	(396)	–	–	–	–
Equipment Reserve	227	–	–	–	–	–	227
	76,390	6,957	(7,720)	–	681	630	76,938
<b>General Funds</b>	2,974	73,128	(62,385)	–	–	(6,866)	6,851
	2,974	73,128	(62,385)	–	–	(6,866)	6,851
<b>Unrestricted Funds – Designated</b>							
Special Funds	709	57	(15)	33	–	–	784
Projects/Other Activities	510	–	–	–	–	(444)	66
Shared services	–	2,387	(2,387)	–	–	–	–
Future scientific research	1,248	–	(557)	–	–	503	1,194
Future Projects	7,126	–	–	–	–	1,174	8,300
Capital Projects	391,255	–	(9,703)	–	12,886	5,003	399,441
	400,848	2,444	(12,662)	33	12,886	6,236	409,785
<b>Permanent Endowment Funds</b>	917	–	–	46	–	–	963
	917	–	–	46	–	–	963
<b>Total Funds</b>	481,129	82,529	(82,767)	79	13,567	–	494,537

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 from General Funds – Restricted Funds: Sponsored assets reflects the purchase of a collections asset using restricted funds.

The transfers to and from General Funds – Designated: Projects/Other Activities represents departmental budgets carried forward for future projects and activities.

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

The transfer from General Funds – Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2015-16, not funded by revenues expected to be generated in that year.

The transfers to and from General 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.

**19 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 2015 are represented by</b>					
Tangible and heritage fixed assets	399,870	–	73,591	–	<b>473,461</b>
Intangible assets	440	–	–	–	<b>440</b>
Investments	649	–	–	809	<b>1,458</b>
Current Assets	9,901	16,572	7,427	154	<b>34,054</b>
Liabilities	(1,075)	(9,721)	(4,080)	–	<b>(14,876)</b>
<b>Total Net Assets</b>	<b>409,785</b>	<b>6,851</b>	<b>76,938</b>	<b>963</b>	<b>494,537</b>
<b>Unrealised gains included in the above:</b>					
On Tangible Fixed Assets	171,128	–	13,542	–	<b>184,670</b>
<b>Total unrealised gains at 31 March 2015</b>	<b>171,128</b>	<b>–</b>	<b>13,542</b>	<b>–</b>	<b>184,670</b>

**20 Cash flow information**

Reconciliation of operating surplus to net cash inflows from operating activities.

	<b>2015</b>	2014
	<b>£000</b>	£000
Net outgoing resources	<b>(238)</b>	(5,866)
Investment income	<b>(100)</b>	(105)
Depreciation	<b>11,564</b>	12,621
Ammortisation	<b>40</b>	–
Loss on disposal of fixed assets	<b>46</b>	19
(Increase)/decrease in stock	<b>(242)</b>	37
Increase in debtors	<b>(7,409)</b>	(1,166)
(Increase)/decrease in creditors	<b>1,009</b>	(2,444)
Net movement in provisions	<b>(172)</b>	(400)
Net cash inflow from operating activities	<b>4,498</b>	2,696
<b>Returns on investments and servicing of finance within net cash flow</b>		
Interest received	<b>45</b>	50
Investment income received	<b>55</b>	55
	<b>100</b>	105
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	<b>(5,678)</b>	(6,329)
Disposals of investments	<b>157</b>	–
	<b>(5,521)</b>	(6,329)
<b>Changes in cash and cash equivalents</b>		
Reconciliation of net cash flow to movement in net funds		
Decrease in cash in the period	<b>(923)</b>	(3,528)
Net funds at 1 April 2014	<b>20,249</b>	23,777
Net funds at 31 March 2015	<b>19,326</b>	20,249

**Analysis of net funds**

	1 April 2014 £000	Cashflow £000	31 March 2015 £000
Cash at bank and in hand	20,249	(923)	19,326

**21 Provision for liabilities and charges**

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

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

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

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

**Early Retirement**

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Balance at 1 April 2014	624	848	624	848
Payments against provision	(186)	(215)	(186)	(215)
Adjustment to existing provision	11	(9)	11	(9)
Balance at 31 March 2015	449	624	449	624

**Redundancy Provision**

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Balance at 1 April 2014	15	221	15	56
Addition to provision	18	15	18	15
Payments against provision	(15)	(221)	(15)	(56)
Balance at 31 March 2015	18	15	18	15

**Equipment Reserve Provision**

	<b>Group 2015 £000</b>	Group 2014 £000	<b>Museum 2015 £000</b>	Museum 2014 £000
Balance at 1 April 2014	230	200	230	200
Addition to provision	–	30	–	30
Balance at 31 March 2015	230	230	230	230

**Total Provision for liabilities and charges**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2014	<b>869</b>	1,269	<b>869</b>	1,104
Addition to provision	<b>18</b>	45	<b>18</b>	45
Payments against provision	<b>(201)</b>	(436)	<b>(201)</b>	(271)
Adjustment to existing provision	<b>11</b>	(9)	<b>11</b>	(9)
Balance at 31 March 2015	<b>697</b>	869	<b>697</b>	869

**22 Capital commitments**

Outstanding capital commitments at 31 March 2015 amounted to £258,000 (2014: £92,000).

**23 Energy services and energy management services contracts**

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

The accounting treatment 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 the 22nd October 2010 a contract was signed between the Natural History Museum and Total Gas Contracts Limited for the provision of energy and energy management services at the Museum's sites at South Kensington, Wandsworth and Tring. Under the contract Total Gas Contracts Limited 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 on going operation and maintenance of the plant and equipment for a 15 year period commencing on 31 October 2011. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment 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.

**24 Losses and special payments**

During the year, the Museum made a loss of £322,000 on an annual subscription payment which arose when the supplier went into administration. This loss has been recognised in 2014-15.

**25 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) £43,384,000 (2014: £44,314,000).

During the year, a grant of £38,000 (2014: nil) was received from DCMS in respect of the Museum's improvement fund.

At 31 March 2015, there was no balance due to or from DCMS.

Supply of heat and power to the Victoria and Albert Museum £1,640,000 (2014: £1,289,000).

Payments of £84,000 (2014: £95,000) were made to the Victoria and Albert Museum for security management services. At 31 March 2015, there was a balance of £29,000 (2014: £21,000) due to the Victoria and Albert Museum in respect of these services.

At 31 March 2015, there was a balance due from the Victoria and Albert Museum of £553,000 (£141,000).

Supply of heat and power to the Science Museum Group £716,000 (2014: £728,000).

Payments totalling £2,500 were made to the Science Museum Group towards subscription fees and minor science equipment (2014: £52,000 was paid towards security enhancements at Queensgate).

At 31 March 2015, there was a balance of £170,000 due from the National Museum for Science and Industry (2014: £306,000).

A workshop was provided to the National Portrait Gallery at a cost of £350 (2014: £15,000 for health and safety advisory services).

No services were provided to the Horniman Museum during 2014-15 (2014: £14,550 for health and safety advisory services).

No partnership payments were made to the British Museum this year in respect of the Calleva project (2014: £262,000).

Payments of £1,632 (2014: £600) were made to the British Museum in respect of image licencing.

Payments of £22,000 (2014: £32,000) were made to the Imperial War Museum in respect of the National Museum Directors' Council membership.

Professor John Holman is a Special Advisor at The Wellcome Trust. During the year, the Museum received science grant income totalling to £31,000 (2014: £107,000) as part of their science programme.

Daniel Alexander Professor Sir John Holman serve on the Board of Trustees at the Natural History Museum Development Trust ('the Trust'). During the year, the Trust paid the Museum £15,667 (2014: £15,000) towards administrative services. As at 31 March 2015, there was a balance due from the Natural History Museum Development Trust for £6,000,000 in respect of a capital grant donation (2014: £720,000 for specimen acquisition and £15,420 towards administrative services).

Professor Sir Roy Anderson is Professor of Infectious Disease Epidemiology in the faculty of Medicine 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.

## **26 Contingent liabilities and assets**

The Museum received grant funding totalling £2,900,000 from the European Commission (EC), under grant agreement FP7 for financial years 2009 to 2014. During 2014-15, the EC auditors queried the Museum's method of overhead apportionment. The Museum and the EC have since been in discussions on the calculation methodology and in June 2015, the Museum was supplied with a revised calculation. Due to the on-going discussions under the grant agreement, the Museum is unable to form an opinion on the likelihood of reimbursement. The current methodology exposes the Museum to a repayment of approximately £336,000 for 2015-16.

## **27 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 are no post balance sheet events to report.

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