

# Natural History Museum Annual Report and Accounts 2016-2017

HC 266



# Natural History Museum Annual Report and Accounts 2016-2017

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## The Trustees' Annual Report

### Reference and administrative details

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

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

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

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

Professor Sir John Beddington CMG FRS and Dr Kim Winser OBE were reappointed during the year for a further four years to 31 March 2021 and 17 February 2021 respectively.

During the year Professor David Drewry and Dr Derek Langslow CBE retired from the Board and were replaced by Dame Janet Thornton DBE FRS and Robert Noel.

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

**Museum Director and Accounting Officer** Sir Michael Dixon

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

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

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

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

**Accounts Preparation** The annual report and accounts have been prepared in accordance with the accounting policies set out in note 1 (page 34). They comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Digital, Culture, Media and Sport, with the approval of 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 Digital, Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister are appointed by open competition.</p> <p>Further details of Trustees who served during 2016-17 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: 40px;"> <tr> <td>Director of the Museum</td> <td>Sir Michael Dixon</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>Neil Greenwood</td> </tr> <tr> <td>Director of Development and Communications</td> <td>Fiona McWilliams</td> </tr> <tr> <td>Director of Public Engagement</td> <td>Dr Justin Morris*</td> </tr> <tr> <td>Director of Science</td> <td>Professor Ian Owens</td> </tr> </table> <p>*Dr Justin Morris has submitted his resignation with effect from 31 July 2017.</p>	Director of the Museum	Sir Michael Dixon	Director of Finance and Corporate Services	Neil Greenwood	Director of Development and Communications	Fiona McWilliams	Director of Public Engagement	Dr Justin Morris*	Director of Science	Professor Ian Owens
Director of the Museum	Sir Michael Dixon										
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<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 928 staff (average full time equivalents) of which 631 were on permanent contracts.</p> <p>The average days' sickness per year for permanent and fixed term contract staff was 4.2 days per full time equivalent (2016: 5.2).</p> <p>Pension benefits are provided through the Principal Civil Service Pension Scheme (See note 7 to the Accounts).</p> <p>In December 2014 the Museum was re-awarded the Investors in People Standard.</p> <p>A volunteer force of c500 people assisted the Museum during 2016-17.</p>										

The split of permanent and fixed term staff (excluding agency staff) by gender at 31 March 2017 was:

	Female	Male
Directors	1	4
Other employees	458	379

Five self-employed individuals were engaged off-payroll during the year for over £220 per day in arrangements spanning more than six months.

Engagements related to provision of design services, training courses and entertainment shows on an intermittent basis meaning it was not appropriate to administer these individuals through payroll. The Museum obtained assurances that these individuals were meeting Income Tax and National Insurance obligations.

No costs were incurred during the year on consultancy deemed to be of a strategic nature.

**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 Digital, Culture, Media and Sport. This relationship is formalised via the Funding Agreement and a Management Agreement.

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

**Group entities**

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

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

## Objectives and Activities

**Mission** The Natural History Museum's purpose is to inspire a love of our natural world and unlock answers to the big issues facing humanity and the planet.

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

- 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 2016-2017**

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.

The Museum is entering a decade of transformation with a more prominent role on the national and global stage, harnessing our public reach and scientific expertise to help shape a sustainable future for the planet. We are finding innovative ways to use our collections, to tell compelling stories and tackle scientific challenges, and to engage new audiences through advances in the digital arena as well as internationally, across the UK, and in London.

This is all part of our renewed purpose and mission to inspire a love of our natural world and unlock answers to the big issues facing humanity and the planet.

### **Digital**

The Museum has made major progress in its digital initiatives during the last year. There has been further development of the Data Portal as the primary online access route to collections and research data for scientists and for wider commercial and public use.

The Data Portal now hosts around eight million records, all available without restriction on use or attribution in line with Government Open Data guidelines.

Funded by the Natural Environment Research Council, a Museum team is leading the effort to collate the largest survey of the impact of humans on local biodiversity. In December the project released more than 2.5 million biodiversity records spanning unprecedented geographic and taxonomic coverage onto our Data Portal, together with an open-access paper with authors from 60 countries.

The Digital Collections Programme is now in its second tranche of activity, acting as a focus for collaborative innovation in mobilising collections data for research and other purposes. The Museum has led technological innovation on the development of high-throughput pipelines for scaling up to future mass digitization of the collection. There is now a robust end-to-end pathway for fossils and microscopic slides, from imaging and public crowd-sourcing of label information through to using computer vision and publication on the Data Portal.

The bird collection at the Natural History Museum at Tring is the focus of a partnership with the University of Sheffield using a 3D imaging project to analyse the rate at which species change over time, by analyzing beak shapes. This evolutionary rate underpins how numbers of species rise and fall over time, and where species are distributed around the world. All of the 3D data is being made accessible to all through the Data Portal, supporting the long term digitisation of the collection.

Miniature Lives Magnified was the latest successful project developing innovative social approaches to mass public involvement in digitisation and citizen science. A new open platform developed collaboratively with Zooniverse helped crowdsource online volunteers who transcribed information from the specimen labels of the chalcid wasps, making these biological control agents more available to study. Additional transcription was achieved through our visit days: one-off on-site volunteering experiences for teams. This project is in partnership with the National Science Foundation-funded project Notes from Nature.

The Museum worked with world-leading partners, Google Arts and Culture, to deliver innovative ways to engage our visitors with our collections and content. More than 300,000 specimens became accessible to all, wherever you are in the world through the Google Arts and Culture natural history platform. The Museum was lead partner for the launch which also included selections from collections at 60 natural history institutions worldwide.

Our digital networks offer a critical way to expand our conversations about topics that inspire. Our online communities have gathered more momentum, with our Twitter reaching more than two million followers, while engagement through Instagram has grown 142%. Efforts continue in mobile engagement with the NHM Fossil Explorer App being launched on iOS and Android platforms. Further work continued on the Natural History Museum App, a location aware guide to the Museum, to introduce new functionality and use the data about visitor flow to help guide gallery planning.

In May the Museum was awarded the Museums and Heritage Award for Innovation; celebrating the virtual reality experience 'First Life' presented in partnership with Sky Atlantic. The experience, narrated by David Attenborough, took viewers 500 million years into the past and deep under the ocean surface.

### **National**

2016-17 saw a step change in the National Strategy for the Museum. The vision is 'To be the leading inspiration connecting UK citizens from all backgrounds with nature and science' delivered by continuing to work in partnership to motivate connections with nature for people from all backgrounds, across the UK. We reframed our leadership role, convening and facilitating UK-wide networks to support increased capacity in museums, engage audiences with UK biodiversity and open up the nation's natural history collections.

In September 2016, the highly popular Science Uncovered evening, part of the European Researchers' night, was expanded from South Kensington and Manchester to include Newcastle and Ulster through European Commission funding that will also support these cities being involved in the event in 2017.

The *Dippy on Tour* project supported by Garfield Weston Foundation has progressed apace and following an open national call eight UK venues were announced in November: Dorset County Museum; Birmingham Museum and Art Gallery; Ulster Museum; Kelvingrove Art Gallery and Museum, Glasgow; Great North Museum: Hancock, Newcastle upon Tyne; National Assembly for Wales; Number One Riverside, Rochdale; and Norwich Cathedral. Dippy's tour represents a step change in the Museum's reach and engagement across the UK. Impact and accessibility are key. Every Dippy event will be free and the venues have been chosen to reach new audiences.

*Dippy on Tour* helps to support the Museum's long-term educational partnership with UK natural history museums; Real World Science. It will expand this network to ensure that there is a stable and vibrant museums/schools national partnership delivering over the next five years. This will cover the whole of the UK and carry out research on the impact of natural history collections in learning programmes. Through the year Real World Science Partnership reached more than 27,000 students across 494 schools.

As part of the UK strategy the Museum actively supports inclusion of sectors of society that are currently less engaged with science, nature and culture. To this end, in partnership with Wellcome Trust, British Science Association and Prince's Trust, the Museum was one of ten organisations engaging up to 250 youth workers around the UK with STEM (Science, Technology, Engineering and Maths). This enables youth workers to support some of the most disadvantaged young people in the country to develop science literacy, career skills and confidence.

During the year, in addition to Miniature Lives Magnified, the Museum also led or partnered on a number of school and citizen science initiatives. These included:

- The Big Seaweed Search, which encourages people to explore the UK coastline and submit seaweed observations to help vital marine research

- Earthworm Watch, which asks participants to categorise earthworms and soil types
- Orchid Observers, in which participants photographed orchids and documented Museum specimens for climate change research
- The Microverse, a collaborative project between the Museum and schools across the UK aimed at Key Stage 5, which uses DNA technologies to discover microscopic life in urban environments. Schools collect samples of microorganisms from buildings, sending them to the Museum for DNA analysis. The research aims to discover what species are living on our buildings and what factors affect their diversity and community assemblages
- Notes from Nature came to an end in June 2016 after three years and enabled the transcription of over 370,000 bird records, an important contribution to the continuing digitisation of the collections.

The Angela Marmont Centre for UK Biodiversity Citizen Science team secured £684,000 funding to be received from 2017-18 for citizen science initiatives from Science Learning+, a partnership between The Wellcome Trust, the Economic and Social Research Council and the US National Science Foundation.

The Natural History Museum at Tring welcomed nearly 140,000 visitors, supported by an exhibition programme that included Antarctica, Dodos and Humans in Ancient Britain.

The Museum partnership with BBC Natural History Unit and BBC Radio 4 on the successful Natural Histories series continued, with the Museum helping to broker a wider range of UK natural history collections being highlighted.

### **International**

The Museum continued to produce world leading research, often leading and working with consortia, and continued to attract significant grant funding. Highlights are included below.

- The Museum is an international scientific centre of excellence for research on parasites and their vectors. 2016-17 marked the first year of a five-year global health project supported by a US\$27.1 million investment from the Bill and Melinda Gates Foundation (BMGF) to test whether mass-administration of pharmaceutical drugs can break the transmission of soil transmitted helminths (STH) from entire human populations, leveraging the political and programmatic momentum of efforts to eliminate another important neglected tropical disease, lymphatic filariasis. Three field study sites in India, Benin and Malawi were selected to determine whether expanded treatment of entire communities can break the transmission of soil transmitted helminths. Field trials in these areas began in 2017, comprising one of the largest clinical trials of treatment for STH ever undertaken. Working with multiple partners including Imperial College London, University of Washington, Swiss Tropical and Public Health, London School of Hygiene and Tropical Medicine, Smith College and others, DeWorm3 has defined how to detect transmission interruption of STH to develop new methods to monitor drug uptake and screen infection rates across very large numbers of people in real time.
- Museum scientists continued mapping deep-sea biodiversity in a 58,000 km<sup>2</sup> region of the central Pacific Ocean targeted for the first deep ocean mining. Using remote operated vehicles, video and a rapid DNA taxonomy pipeline has ensured the vast array of new species could be identified, recorded and specimens kept to ensure a lasting legacy. This fundamental research and environmental survey is creating a baseline understanding of these ecosystems of 4,000 metre deep habitats. This is essential to inform our stewardship of the region. It is supported by UK Seabed Resources Ltd and

the UK Government, who are collaborating on exploration for sources of minerals for new technology.

- Publishing in the journal *Science*, Museum scientists and international colleagues assessed how land use pressures have reduced the intactness of 65% of life on land beyond the proposed 'safe' planetary boundary. 'Biodiversity indicator scores' have since been adopted as an official index by the UN's International Panel on Biodiversity and Ecosystems Services (IPBES).
- Publishing in the journal *Nature*, Museum scientists proposed a significant reorganisation of the dinosaur family tree, which altered our understanding of their origins and evolution. The collaborative study between the Museum and Cambridge University regrouped the familiar lineages of dinosaurs that have been established for 130 years. The new arrangement, which is based on analysis of hundreds of fossil features, helped explain some puzzling aspects of early dinosaur evolution and provides new clues as to when key features and behaviours evolved. Also in *Nature*, Museum researchers used the skull of Museum *Stegosaurus*, Sophie, to show it had a stronger bite than its small peg-shaped teeth suggested.
- Publishing in the journal *Royal Society Open Science*, Museum scientists revealed an X-ray film of the metamorphosis of the bluebottle blow fly *Calliphora vicina*, which cannot usually be seen because it occurs within an opaque brown structure. The flies are one of the first organisms to find a dead body, on which they then lay their eggs. Understanding the detailed stages of the lifecycle of *C. vicina* can help forensic investigators estimate how long someone has been dead for.
- The Museum's combined expertise in mineralogy, planetary science and curation underpins a European Space Agency partnership creating an analogue curation facility that will be used to support the development of the next generation of planetary rovers, landers, drilling and sampling systems as well as on-board scientific instrumentation. This facility will comprise rocks and soils equivalent to those found on Mars, Mars' moons, asteroids and the Moon, alongside analytic technology to characterise samples from future explorations of the Solar System.
- A Museum-led research team has convened nine research institutes and several mining companies to uncover why ore deposits are so rare. This £3 million project funded by the Natural Environment Research Council will identify chemical fingerprints in minerals to improve understanding of how metals, magmas and fluids are cycled beneath the Earth's surface to form deposits. It will develop indicators to make finding deposits more efficient, reducing costs and environmental disturbance.
- Museum scientists are helping mineral explorer Quantum Pacific Exploration to discover copper resources concealed beneath barren rock in Chile. Copper is essential for a modern, low carbon world but it is a challenge to find and extract the resources society needs. Using an award-winning innovation in mineral analysis and the latest imaging we can help refine the search for significant copper deposits, potentially reducing the environmental impact of exploration.
- This was the penultimate year of our leadership role on SYNTHESYS3, a consortium of 20 universities, private companies, museums and botanic gardens across 11 European countries. Since 2004 the SYNTHESYS programme has received funding of €28 million for the consortium and has given access, networking and research support for more than 4,100 collaborative projects. It has provided more than 50,000 days' access to 390 million plant and animal specimens, contributing directly to over 4,700 new scientific publications.

Beyond the science arena, a new suite of touring exhibitions has been developed to share our collections with a global audience. The Museum's biggest ever exhibition, *Treasures of the Natural World*, toured our most extraordinary items internationally for the first time. More than 300 specimens were hand-picked for this grand display. They trace a centuries-long quest to understand the natural world, from the Enlightenment through to the Museum's current research. We worked with our partner, Japanese media group The Yomiuri Shimbun, to debut this tour at the National Museum of Nature and Science, Tokyo. It was welcomed by 6,000 visitors in its opening weekend. The next stop in the three-year tour will be Singapore.

The Wildlife Photographer of the Year brand continued to grow its international presence with a total of 59 venues visited by 2.8 million visitors in 15 countries on 5 continents. In total our existing portfolio of NHM Touring Exhibitions was seen by 4 million visitors in 16 countries on 5 continents.

Working in partnership with the Royal Botanic Gardens Kew and the Foreign and Commonwealth Office, the Museum hosted a High Level Round Table on biodiversity in New Colombia as part of the Colombian State visit. Museum scientist Dr Blanca Huertas named a new species of butterfly *Magneptychia pax* in recognition of the ongoing peace process in Colombia, where the butterfly lives.

Also in building international relations, successful consulting projects have included the redevelopment of two galleries within the Hong Kong Science Museum in conjunction with MET design.

### **London**

The Natural History Museum in South Kensington welcomed 4,468,755 visitors of whom 244,158 were school children visiting as part of the schools activity programme. This represents a 14% decrease in visitors compared with 2015-16, reflecting a wider trend across museums amid the closure of the Hintze Hall from January 2017 during its transformation.

The Museum developed a successful series of exhibitions that helped to build audiences and profile whilst drawing inspiration from the cutting-edge science of the institution. In total, nearly 350,000 visitors enjoyed our special exhibitions of *Sensational Butterflies, Otherworlds* — a collaboration between the Museum and artist Michael Benson, showcasing over 70 unique images representing the history of photography of our solar system, *Wildlife Photographer of the Year* — which opened in the newly renovated East Pavilion Gallery, and *Colour and Vision*. The last, our summer exhibition supported by LG OLED 4K TV, explored the co-evolution of eyes and pigmentation, and won critical acclaim by the national media, notably the Guardian.

A rare display of botanical art by the renowned Bauer Brothers in *Images of Nature* drew further plaudits. Our Mineral Hall gained a spectacular addition in the colourful 9,381 carat Ostro stone, the world's largest gemstone of its kind. The loan and display have been made possible thanks to the Ostro Fayre Share Foundation and Maurice Ostro OBE.

The programme of events wishing Dippy good luck on his travels included a series of popular evening events including film screenings and the Museum's most successful after-hours public event: a New Year's Eve party in collaboration with cult event organisers Guilty Pleasures. Investment in restaurant facilities saw a refreshed family dining space open its doors in December; Jurassic-themed and named *T. rex Grill*.

The Museum continued to develop its early morning 'Dawnosaurs' programme for young people on the autism spectrum and their families. Over 1,000 family visitors have enjoyed the quieter early morning environment in which to engage with natural history and the Museum.

The last 12 months has seen the reimagining of the grand Hintze Hall thanks to the generous support of number of individual donors and trusts – including The Cadogan Charity, Garfield Weston Foundation, The Hintze Family Charitable Foundation, The Sackler Trust and The Wolfson Foundation. From summer 2017 a blue whale skeleton will take centre stage to tell a hopeful story about our role in the natural world, alongside a cast of superstar specimens. The latest behavioural insights and 3D printed scale models enabled Museum scientists to test the diving position and articulation of the 4.3 tonne blue whale, shaping the armature design for its suspension from the ceiling in Hintze Hall. The Museum conservation team completed sixteen months of cleaning and repair of the whale's 220 bones, which was shared through a pop-up conservation studio in the galleries and through our digital channels and social media. This innovative approach, where visitors were encouraged to engage with the conservators won the 2016 Keck Award for promoting of public understanding of historic conservation.

Our green spaces have significant potential to help engage more people with nature, and work continued on transforming our grounds. In July we received planning permission for plans to create a series of living outdoor galleries around the Grade I listed Waterhouse building. Work also began to open two floors in the central towers to the public for the first time. This historic space will be a place of reflection for members and patrons and our visitors, opening up new views across London and the heritage architecture.

The acclaimed oceanographer, explorer and author Dr Sylvia Earle, named as TIME Magazine's first Hero for the Planet, was the special guest speaker at the Annual Trustees' Dinner.

## Plans for 2017-2018

Following the reopening of the transformed Hintze Hall in July 2017, we will complete work to redevelop the Museum's main entrance from Cromwell Road to be fully accessible. A new Members' and Patrons' Room will open later in the year, creating a unique home for members and patrons in the historic south central towers including a restaurant, bar, lounge and study.

Our public programme for 2017-18 follows an Oceans theme, beginning with the *Whales: Beneath the Surface* exhibition in South Kensington and running throughout the year across digital engagement, events and citizen science activities. The popular *Sensational Butterflies* is open until September followed by a special exhibition on Venom and the new *Wildlife Photographer of the Year 2017* in the autumn. At Tring the main summer exhibition is *Animal Vision* followed by *Wildlife Photographer of the Year*.

We will continue to enhance our digital visitor experience, with regular *NHM Live* shows for Facebook and Twitter and innovative new formats, including the *Hold the World* Virtual Reality experience developed in partnership with Sky and Factory 42. Our web product will evolve to become a content destination for global audiences, as we launch new content hubs. We will explore new ways to improve the customer experience for both physical and digital visitors, including location aware services and augmented reality through our visitor app.

Work will continue towards our grounds transformation project, our ambitious plan to create a series of living outdoor galleries around the famous Waterhouse building giving visitors new opportunities to connect with the natural world beyond the Museum's walls. By improving accessibility and biodiversity across the entire site, and developing extensive learning and outreach activities with partners across London and the UK, the grounds will provide a living link between the Museum's activities at South Kensington and the wider world of natural history and conservation.

Our mission to connect the nation to nature will gain momentum as our iconic *diplodocus* cast embarks on the first leg of a three-year UK-wide adventure. *Dippy on Tour* kicks off at Dorset County Museum from February – May 2018.

As part of our UK strategy we will also continue to deliver learning programmes for families and schools. We will reach a broader audience base through our Real World Science network of museums with natural history collections and connections with science and discovery centres across the UK.

Our international consultancy and touring exhibitions business continues to grow, and in 2017-18 the *Treasures of the Natural History Museum* exhibition will travel from Tokyo to other locations, expanding the reach of our global *Wildlife Photographer of the Year* brand.

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

Digitising our collections will enable us to provide big, open data and tackle scientific grand challenges. This year we will aim to achieve a step change in mass digitisation and technology innovation by securing large infrastructure and development grants in support of this global scientific resource.

A new masterplan for our physical estate will determine where, how and when we invest in new galleries, collections storage and facilities over the next twenty years, to ensure that we have the infrastructure to continue to support our ambitious plans into the future, and to ensure that the risks to the long term care of the collection are addressed.

### **Results of the Natural History Museum and consolidated subsidiaries**

For the Natural History Museum consolidated accounts, there was an overall deficit for the year before gains and losses on investments and revaluation of £5.6m (2016: £8.6m deficit). After adjusting for depreciation, amortisation and loss on disposal of fixed assets (being non cash items), which is considered a more meaningful indicator of financial performance, there was an overall surplus of net income amounting to £8.2m (2016: £3.2m) which was in line with expectations.

This increase compared to the previous year reflects an overall increase in gross income to £84.2m (2016: £76.2m) primarily driven by a one off increase in capital Grant-in-Aid of £7.3m together with smaller increases in scientific grants and contracts, offset by falls in sponsorship and admissions income. Gross income from trading activities and philanthropic donations was in line with the previous year. Total expenditure (after adjusting for depreciation, amortisation and loss on disposal of fixed assets) increased in year to £76.0m (2016: £73.0m) reflecting the impact of restructuring costs, additional fundraising staffing costs as a result of the drive to increase philanthropic support, and an increase in national insurance costs.

Available reserves at 31 March 2017, as represented by current assets less liabilities amounted to £16.2m (2016: £16.6m). This includes the General Fund, the unrestricted and non-designated reserve, which amounted to £8.7m (2016: £6.8m). This in excess of the minimum reserve figure of £4m approved by Trustees as part of the annual budgeting process and is held to manage cash flow and budgetary risks, and underpin future expenditure plans. In addition there were reserves of £5.3m (2016: £6.9m) held within the designated fund for specific committed future projects and for future scientific research, and £2.3m (2016: £2.9m) held within restricted funds for future investment in capital projects and activities.

These figures are summarised below:

	2016-17 £m	2015-16 £m
Net income for the year before depreciation, asset indexation and revaluation	8.2	3.2
General Fund	8.7	6.8
Current assets less liabilities	16.2	16.6

Capital expenditure for the year amounted to £8.9m (2016: £5.5m) including significant expenditure on Hintze Hall, core estate infrastructure, minor gallery refurbishment, redevelopment of the front entrance to the Museum In South Kensington and scientific equipment.

Total fixed assets at 31 March 2017 amounted to £538m (2016: £541m) which accounts for the majority of the total charity funds held of £554m (2016: £558m) and predominantly reflects land and buildings such as the Waterhouse Building, and the Museum's collection.

### **The Natural History Museum Trading Company Limited**

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

The net operating profit for 2016-17 amounted to £4.0m (2016: £4.3m).

Profits from the Trading Company are donated to the Museum under Gift Aid. For 2016-17 this amounted to £4.0m (2016: £4.3m).

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

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

### **The Benevolent Fund**

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

The balance of funds held at 31 March 2017 was £39.2k (2016: £35.2k).

### **The Special Funds Trust**

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

The balance of funds held at 31 March 2017 was £1.6m (2016: £1.5m).

### **The Funding Agreement**

The Museum has a Funding Agreement with the Department for Digital, 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 February 2017.

The Grant-in-Aid for the period 2016-17 to 2019-20 is as follows:

£000	2016-17	2017-18	2018-19	2019-20
Resource Grant-in-Aid	39,515	39,515	39,515	39,515
Capital Grant-in-Aid	9,600	2,300	2,300	2,300
Total	49,115	41,815	41,815	41,815

For the purposes of consolidated budgeting and monitoring with the Department for Digital, Culture, Media and Sport during the year, reflecting HM Treasury guidance, a budget of £4m for the Museum's operational non-capital research spend is tracked against Capital Grant-in-Aid, thereby reflecting 2017-18 budgeting totals of £6,300k for Capital Grant-in-Aid and £35,515k for Resource Grant-in-Aid.

### Reserves Policy

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves (i.e. those funds that are not restricted or tied up as fixed assets), in particular the unrestricted General Reserve, appropriate to the scale, complexity and risk profile of the Museum. This takes into consideration the funding base which consists predominantly of Grant-in-Aid under the funding agreement with the Department for Digital, 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 February 2017 a minimum level of General Fund of £4.0m. At 31 March 2017 the General Fund amounted to £8.7m.

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 invest Grant-in-Aid income but that the Museum is free to invest non-grant income in line with the relevant Charity Commission guidance on investments.

The Museum invests cash balances in accordance with its revised Investment Policy which was approved by Trustees in February 2017. The Policy addresses management of liquidity, credit, interest rate, procedural and foreign currency risk and the stated aim of the Policy is to achieve a balance between income and growth with moderate to low risk. Investments are currently held in mixed portfolio funds to achieve this aim.

### Sustainability

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

#### Key performance data

	2014-15	2015-16	2016-17
Greenhouse gas emissions Scope 1 & 2 (tonnes CO <sub>2</sub> )	10,591	10,554	10,556
Energy consumption (MWh)	30,922	29,297	30,392
Water consumption (m <sup>3</sup> )	90,837	85,319	92,902
Waste (tonnes)	513	549	547

Specific activities undertaken and achievements during 2016-17 include:

- ISO 14001:2004 Environmental Management certification was re-awarded based on the on-going audit assessment;
- The Museum has undertaken a third year of involvement with the National Union of Students' Green Impact sustainable behaviour change programme with an increase in teams taking part in the scheme; and
- The Museum initiated the development of a Sustainability Action Plan across all areas of Museum activity.

**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.

**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

4 July 2017

## Appendix 1

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

Performance indicator	16-17 Outturn	15-16 Outturn	14-15 Outturn	13-14 Outturn	12-13 Outturn
<b>Visitors</b>					
Total number of visitors (South Kensington and Tring) #6	4,469,000	5,352,000	5,426,000	5,579,000	5,132,000
Number of child visitors #1	1,099,000	1,328,000	1,421,000	1,452,000	1,287,000
Number of over 60s visitors #1	245,000	308,000	312,000	311,000	235,000
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	253,000	182,000	240,000	363,000	327,000
% of visitors who thought the museum was excellent / good #1 #2	97	96	96	94	97
<b>Other Access</b>					
Number of unique website visits	9,195,229	10,489,392	10,278,971	8,607,235	7,332,006
Number of UK loan venues #3	41	43	95	133	135
Number of enquiries to Science Group	6,675	8,253	10,494	14,441	11,960
<b>Learning</b>					
Number of children aged 16 and under in on and off site organised educational sessions	569,540	555,799	542,029	497,123	492,295
<b>Research</b>					
Number of peer reviewed research publications #4	692	831	867	721	668
Value of major research grants won (£m total value to the Museum)	4.3	2.7	5.1	4.7	2.1
Number of visitor days for visiting researchers	8,103	11,588	14,574	14,813	14,454
<b>Income Generation</b>					
Gross income from admissions (£m)	2.92	3.27	3.56	2.46	2.06
Net income from trading activities (£m) #5	10.60	11.61	11.50	9.61	8.42
Fundraising income (£m)	5.55	5.57	11.18	3.58	1.97
<b>Charitable Giving</b>					
Total income from charitable giving (£m) #6	6.38	6.30	11.48	3.52	2.15
Charitable giving as a % of Grant-in-Aid #6	13%	15%	26%	8%	5%

#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 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.

#6 DCMS key performance indicators from the Funding Agreement.

The performance indicators are under review, to align more closely with strategic objectives.

## 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 2016-17 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 2016-17 comprised:

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

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

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

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

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

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

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

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

## Salary and pension entitlements

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

### Remuneration

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>1</sup>		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	165-170	160-165	20-25	20-25	5,100	700	37	51	230-235	235-240
Neil Greenwood <i>Director of Finance and Corporate Services</i>	110-115	110-115	5-10	5-10	–	–	29	40	150-155	160-165
Professor Ian Owens <i>Director of Science</i>	115-120	115-120	5-10	5-10	–	–	46	45	170-175	165-170
Dr Justin Morris <i>Director of Public Engagement</i>	115-120	110-115	5-10	5-10	–	–	48	57	170-175	175-180
Fiona McWilliams <i>Director of Development and Communications (from 1 June 2015)</i>	110-115	80-85 (FTE 100-105)	5-10	–	–	–	44	33	160-165	115-120

The above information has been subject to audit.

### Salary

'Salary' includes gross salary; and any allowance to the extent that it is subject to UK taxation. Bonus payments are shown separately in the remuneration table. This presentation is based on payments made by the Museum and thus recorded in these accounts.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Sir Michael Dixon has use of the Lodge on the Museum's South Kensington site for accommodation. The figure for 2016-17 reflects full year use whereas for the majority of 2015-16 the Lodge was unavailable.

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

### Pay multiples

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

<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.

The remuneration of the highest-paid director in the financial year 2016-17 was £195,000-£200,000 (2016: £185,000- £190,000). This was 6.1 times the median salary of the workforce (based on permanent and fixed term appointment staff), which was £32,500 (2016: 5.8 times the median of £32,178).

In 2016-17, no employees received remuneration in excess of the highest paid director (2016: 0). Remuneration ranged from £18,589 - £122,500 (2016: £18,405 - £122,000).

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.

### Pension benefits

	Accrued pension at pension age as at 31 March 2017 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2017 £'000	CETV at 31 March 2016 £'000	Real increase in CETV £'000
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	30-35	0-2.5	619	579	35
Neil Greenwood <i>Director of Finance and Corporate Services</i>	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 5-7.5	749	688	24
Professor Ian Owens <i>Director of Science</i>	10-15	2.5-5	171	138	21
Dr Justin Morris <i>Director of Public Engagement</i>	35-40	2.5-5	475	432	18
Fiona McWilliams <i>Director of Development and Communications</i>	0-5	2.5-5	58	24	25

The above information has been subject to audit.

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

From 1 April 2016 employee contributions continued to be salary-related and ranged between 3.8% and 8.05% of pensionable earnings for **classic**, **premium**, **classic plus**, **nuvos** and **alpha** members. Increases to employee contributions will apply from 1 April 2017. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's

earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In **alpha** pension accrual is similar to **nuvos** but the accrual rate is 2.32% of pensionable earnings. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

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

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

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

### **Real increase in CETV**

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

### **Other information**

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

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

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

Exit package cost band	2016-17			2015-16		
	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	–	16	16	9	–	9
£10,000-£25,000	–	13	13	3	2	5
£25,000-£50,000	–	13	13	–	2	2
£50,000-£100,000	–	15	15	–	2	2
£100,000-£150,000	–	–	–	–	–	–
Total number of exit packages	–	57	57	12	6	18
Total resource cost (£)	–	1,738,426	1,738,426	98,098	267,567	365,665

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

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

4 July 2017

## Statement of Trustees' and Director's Responsibilities

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

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

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

The Accounting Officer for the Department for Digital, 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 and for the safeguarding of the Museum's assets, 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

4 July 2017

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

## Governance Statement

### The Governance Framework

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

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

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

During the year 2016-17 the following served as Trustees:

	Attendance at Board Meeting (max 4)	Attendance at Audit and Risk Committee (max 4)	Attendance at Remuneration Committee (max 1)	Attendance at Property Committee (max 1)
The Lord Green of Hurstpierpoint <i>(Chair. Member of the Remuneration Committee)</i>	4/4	–	1/1	0/1
Professor Sir John Beddington CMG FRS	3/4	–	–	–
Dame Frances Cairncross DBE FRSE <i>(Appointed 1 April 2016)</i>	3/4	–	–	–
Professor David Drewry <i>(Retired 5 May 2016)</i>	–	–	–	–
Professor Christopher Gilligan CBE <i>(Member of the Audit and Risk Committee from 5 May 2016)</i>	4/4	3/4	–	–
Professor Sir John Holman KBE <i>(Member of the Remuneration Committee)</i>	4/4	–	1/1	–
Dr Derek Langslow CBE <i>(Retired 5 May 2016. Chair of the Audit and Risk Committee to 5 May 2016)</i>	–	1/1	–	–
Anand Mahindra	3/4	–	–	–
Hilary Newiss <i>(Member of the Audit and Risk Committee. Chair of the Audit and Risk Committee from 30 June 2016)</i>	4/4	4/4	–	–
Robert Noel <i>(Appointed 25 April 2016. Member of the Audit and Risk Committee from 30 June 2016. Chair of the Property Committee)</i>	3/4	3/3	–	1/1
Simon Patterson	4/4	–	–	–
Professor Stephen Sparks CBE FRS	4/4	–	–	–
Dame Janet Thornton DBE FRS <i>(Member of the Remuneration Committee)</i>	1/4	–	1/1	–
Dr Kim Winser OBE	4/4	–	–	–

Colin Hudson was appointed as a co-opted member of the Audit and Risk Committee from 5 May 2016 and attended four (of four) meetings during 2016-17.

Hugh Seaborn and Ian Henderson were appointed as co-opted members of the Property Committee from February 2017 and attended one (of one) meeting during 2016-17.

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

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

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

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management, including on the management of specific major risks, on any internal control issues from the Risk and Assurance unit, on matters arising from external audits, and to review progress on the implementation of recommendations. The Committee also reviews a sample of audit reports and those reviewed during 2016-17 included data protection and information assurance, fraud awareness, key financial controls, external auditor recommendations, and science income generation.

The Chair of the Audit and Risk Committee reports any matters arising directly to the Board.

- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Report on the Remuneration of Senior Management).
- **The Property Committee** which was established during 2016-17 will generally meet four times a year to provide support to the Board of Trustees regarding stewardship of the Museum's real estate including the development of a long term property strategy and developing and overseeing delivery of a masterplan. During the year the Committee received reports on the approach to development of the Masterplan and the estate maintenance strategy, focusing on the backlog maintenance and condition survey.

A **Nominations Committee** is convened and meets as required to assist the Chair in making Trustee and senior appointments. There was no meeting during 2016-17.

In addition there are 3 advisory groups – the **Science Advisory Committee** to provide advice on the Museum's scientific activities; the **Commercial Advisory Committee** to provide advice on commercial activities; and the **Development Advisory Committee** to provide advice and support on fundraising activities.

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

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

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

### **Scope of responsibility in respect of internal control**

It is a responsibility of The Board of Trustees and the Accounting Officer 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 Digital, Culture, Media and Sport.

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

### **The 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 2017 and up to the date of signature of the accounts.

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

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

Specifically the Executive Board has responsibility for:

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

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

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

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

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

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

During the year the Audit and Risk Committee worked with the Executive Board and the Head of Risk and Assurance to update the Museum's approach to risk management following an external review of our risk and assurance processes by the Chartered Institute of Internal Auditors (CIAA). The resulting approach and documentation was then subjected to external review by the CIAA and approved by the Audit and Risk Committee at its May 2017 meeting.

The principal improvements to be introduced from 2017-18 are:

- To build a 'risk universe' for the Museum by considering the activities we undertake on a day to day basis, largely by functional area.
- To use this 'risk universe' to inform the annual audit and assurance plan (set within a five year context) carried out by the Head of Risk and Assurance, her staff and external contractors.
- To revise the documentation that is shared with the Audit and Risk Committee and the Board of Trustees to give them assurance of the risk mitigation processes in place, and future plans to further ameliorate risk.

- To think about risk as a single set of factors the Museum must address over time, rather than in the artificial timescale of a single fiscal year.

The Directors and managers are responsible for assessing risk appetite, using a framework of key documents including Financial Regulations, Collections Management Policies, the Procurement Manual, the Staff Handbook and Health and Safety guidelines. The risk appetite is generally regarded as low particularly where this relates to statutory and legal obligations. The risk appetite for a given risk may, however, differ from a low category for example for commercial activities where we may accept a higher risk appetite, recognising that there is a risk of failure.

### **Significant internal control improvements during the year**

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

- Continuing investment in Museum wide security and fire safety infrastructure and further embedding of physical security systems and processes.
- Continuing investment in IT systems resilience.
- OHSAS 18001 certification was maintained for the occupational health and safety management.
- ISO 14001 was maintained for the environmental management.
- Establishment of an information management group which oversees the approach to the processing of personal information.
- The Fire Safety Policy and Fire Risk Management Strategy were revised.
- Refresher training for Museum managers and key staff on key Museum policies has taken place.
- A review of the Crisis Management documentation.

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

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

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

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

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

### **Review of effectiveness**

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2016-17 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; and
- (c) comments made by the external auditors in their management letter.

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

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

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

The annual report on audit activity, which includes the Head of Risk and Assurance's opinion on the adequacy and effectiveness of the risk management and internal control system is considered by the Audit and Risk Committee and presented to the Board of Trustees. The Committee reviewed and agreed with the report for 2016-17 which concluded that the overall level of assurance was substantial, and this was also reviewed and endorsed by the Board of Trustees.

An External Quality Assessment (EQA) review of the effectiveness of the Museum's Risk and Assurance unit with particular reference to the Public Sector Internal Audit Standards (PSIAS) took place in October 2016, carried out by the Institute of Internal Auditors (IIA). It was reported that Risk and Assurance were highly respected within the Museum with independent reporting lines and evidence of a thorough audit approach. Stakeholders provided positive feedback on the value and insight provided by Risk and Assurance balanced by robust challenge when appropriate. A number of recommendations were made which are in the process of being implemented, including obtaining independent assurance on the risk management identification and reporting process.

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

4 July 2017

## 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 2017 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheet, the Consolidated and Museum Statement of Cash Flows, 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 Report on the Remuneration of Senior Management 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 2017 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### Opinion on other matters

In my opinion:

- the part of the Report on the Remuneration of Senior Management 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 Report on the Remuneration of Senior Management to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

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

7 July 2017

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

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2017	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2016
		Designated	General				Designated	General			
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and endowments from</b>											
<b>Donations and legacies</b>											
Grant-in-Aid	3	-	49,115	-	-	49,115	-	41,815	-	-	41,815
National lottery		-	-	118	-	118	-	-	135	-	135
Donations		-	1,574	3,454	-	5,028	-	1,557	3,317	-	4,874
Donations in kind		-	-	327	-	327	-	-	294	-	294
<b>Other trading activities</b>											
Trading activities	4	-	16,012	-	-	16,012	-	16,078	-	-	16,078
Sponsorship	4	-	196	-	-	196	-	613	-	-	613
Shared services		1,654	92	-	-	1,746	1,876	-	-	-	1,876
Other income	5	-	779	182	-	961	-	691	208	-	899
<b>Investments</b>	5	54	39	2	-	95	51	47	-	-	98
<b>Charitable activities:</b>											
Admissions and memberships		-	3,633	-	-	3,633	-	3,786	-	-	3,786
Scientific grants and contracts		-	1,219	5,737	-	6,956	-	1,219	4,484	-	5,703
<b>Total income</b>		1,708	72,659	9,820	-	84,187	1,927	65,806	8,438	-	76,171
<b>Expenditure on</b>											
<b>Raising funds</b>											
Costs of generating voluntary income	7	2,666	11,143	604	-	14,413	2,272	10,224	517	-	13,013
Fundraising trading: cost of goods sold and other costs	7	1,877	9,099	-	-	10,976	1,876	10,003	-	-	11,879
<b>Charitable activities</b>											
Public Engagement	7	3,548	22,031	1,394	-	26,973	2,840	18,709	2,834	-	24,383
Scientific curation and research	7	5,588	23,927	7,744	-	37,259	4,817	23,918	6,731	-	35,466
<b>Other</b>											
Loss on disposal of fixed assets	7	129	-	-	-	129	-	26	-	-	26
<b>Total expenditure</b>		13,808	66,200	9,742	-	89,750	11,805	62,880	10,082	-	84,767

	Notes	Unrestricted Funds		Restricted Funds		Permanent Endowment Funds		Total Funds 2017		Unrestricted Funds		Restricted Funds		Permanent Endowment Funds		Total Funds 2016	
		Designated	General	£000	£000	£000	£000	£000	£000	£000	Designated	General	£000	£000	£000	£000	£000
<b>Net (expenditure)/income before gains and losses on investments</b>	6	(12,100)	6,459	78	—	—	—	(5,563)	(9,878)	2,926	—	(1,644)	—	—	—	(8,596)	
<b>Net (losses)/gains on investments</b>		46	—	—	54	100	—	—	(36)	—	—	—	(44)	—	(80)		
<b>Net (expenditure)/income after gains and losses on investments</b>		(12,054)	6,459	78	54	(5,463)	54	(5,463)	(9,914)	2,926	(1,644)	(44)	(44)	(44)	(8,676)		
<b>Transfers</b>																	
<b>Gross transfers between funds</b>	20	4,922	(5,303)	381	—	—	—	—	1,642	(3,008)	1,521	(155)	(155)	(155)	—		
<b>Net outgoing resources before other recognised gains and losses</b>		(7,132)	1,156	459	54	(5,463)	54	(5,463)	(8,272)	(82)	(123)	(199)	(199)	(199)	(8,676)		
<b>Other recognised gains/(losses)</b>																	
Gains on indexation and revaluation of fixed assets for charity's own use																	
Gain/(loss) on foreign exchange	8	438	—	993	—	1,431	—	1,431	59,285	—	12,338	—	—	—	71,623		
<b>Net movement in funds</b>		—	658	—	—	658	—	658	—	566	—	—	—	—	566		
<b>Reconciliation of funds</b>		(6,694)	1,814	1,452	54	(3,374)	54	(3,374)	51,013	484	12,215	(199)	(199)	(199)	63,513		
<b>Total funds brought forward</b>		460,798	6,842	89,153	764	557,557	764	557,557	409,785	6,358	76,938	963	963	963	494,044		
<b>Total funds carried forward</b>	20	454,104	8,656	90,605	818	554,183	818	554,183	460,798	6,842	89,153	764	764	764	557,557		

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 34 to 59 form part of these accounts.

## Consolidated and Museum Balance Sheets as at 31 March 2017

	Note	Group 2017 £000	Group 2016 £000	Museum 2017 £000	Museum 2016 £000
<b>Fixed assets</b>					
Tangible assets	8	<b>532,015</b>	535,086	<b>531,677</b>	534,738
Intangible assets	9	<b>1,296</b>	1,584	<b>900</b>	1,077
Heritage assets	10	<b>3,189</b>	2,861	<b>3,189</b>	2,861
Investments	11	<b>1,489</b>	1,378	<b>300</b>	300
Total fixed assets		<b>537,989</b>	540,909	<b>536,066</b>	538,976
<b>Current assets</b>					
Stock	13	<b>1,184</b>	1,340	<b>281</b>	266
Debtors	14	<b>6,743</b>	6,554	<b>6,507</b>	5,841
Cash at bank and in hand	15	<b>25,857</b>	24,662	<b>24,987</b>	24,043
Total current assets		<b>33,784</b>	32,556	<b>31,775</b>	30,150
<b>Liabilities</b>					
Creditors: amounts falling due within one year	17	<b>(14,910)</b>	(15,036)	<b>(12,648)</b>	(12,224)
Net current assets		<b>18,874</b>	17,520	<b>19,127</b>	17,926
Total assets less current liabilities		<b>556,863</b>	558,429	<b>555,193</b>	556,902
<b>Creditors: amounts falling due after more than one year</b>					
Provision for liabilities and charges	23	<b>(496)</b>	(566)	<b>(496)</b>	(566)
Net assets		<b>554,183</b>	557,557	<b>552,513</b>	556,030
<b>The funds of the charity</b>					
Permanent Endowment funds	20	<b>818</b>	764	<b>-</b>	-
Restricted funds					
Restricted income funds		<b>63,732</b>	63,273	<b>63,732</b>	63,378
Restricted revaluation reserve		<b>26,873</b>	25,880	<b>26,873</b>	25,880
Total restricted funds	20	<b>90,605</b>	89,153	<b>90,605</b>	89,258
Unrestricted funds					
Designated funds	20	<b>223,253</b>	230,385	<b>221,968</b>	229,061
Designated revaluation reserve		<b>230,851</b>	230,413	<b>230,851</b>	230,413
General funds	20	<b>8,656</b>	6,842	<b>9,089</b>	7,298
Total unrestricted funds		<b>462,760</b>	467,640	<b>461,908</b>	466,772
Total charity funds	20	<b>554,183</b>	557,557	<b>552,513</b>	556,030

The notes on pages 34 to 59 form part of these accounts.

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

4 July 2017

Sir Michael Dixon  
Director and Accounting Officer

## Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ending 31 March 2017

	Note	Group 2017 £000	Group 2016 £000	Museum 2017 £000	Museum 2016 £000
<b>Cash flows from operating activities:</b>					
<b>Net cash provided by operating activities</b>	22	<b>7,649</b>	10,553	<b>7,329</b>	10,586
<b>Cash flows from investing activities:</b>					
Interest income received	5	41	47	41	47
Investment income received	5	54	51	–	–
Purchase of tangible fixed assets	8	(8,852)	(5,523)	(8,775)	(5,523)
Purchase of intangible fixed assets	9	(76)	(232)	(41)	(232)
Purchase of heritage assets	10	(35)	–	(35)	–
Purchase of investments	11	(11)	–	–	–
<b>Net cash used in investing activities</b>		<b>(8,879)</b>	(5,657)	<b>(8,810)</b>	(5,708)
<b>Cash flows from financing activities:</b>					
Loan received from DCMS	18	2,425	305	2,425	305
<b>Net cash provided by financing activities</b>		<b>2,425</b>	305	<b>2,425</b>	305
<b>Net increase in cash and cash equivalents</b>	15	<b>1,195</b>	5,201	<b>944</b>	5,183
Cash and cash equivalents at the beginning of the year		24,662	19,461	24,043	18,860
<b>Cash and cash equivalents at the end of the year</b>		<b>25,857</b>	24,662	<b>24,987</b>	24,043

## Notes to the Financial Statements

### 1 Accounting policies

#### Basis of accounting

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

Consolidated accounts have been prepared for the Museum which include the results of the Natural History Museum charity, its wholly-owned subsidiary company The Natural History Museum Trading Company Ltd. (company number 02909192), and the results of the trust funds administered by the Natural History Museum known as the Benevolent Fund and the Special Funds. They do not include accounts for the 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.

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

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

The Natural History Museum is a public benefit entity.

#### Going concern status

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

#### Incoming resources

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

Grant-in-Aid from the Department for Digital, 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 20), Grant-in-Aid income allocated to capital expenditure other than specific projects is transferred from general funds to unrestricted designated funds and Grant-in-Aid income allocated to acquisitions for the collection is transferred from general funds to restricted funds.

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

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

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

Membership income is recognised in the period it is received.

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

## **Expenditure**

All expenditure is accounted for on an accruals basis.

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

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

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

## **Significant accounting estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

### *Amortisation*

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

### *Depreciation*

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

### *Provisions*

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

## **Fund accounting**

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

### *Unrestricted funds general*

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

### *Unrestricted funds designated*

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

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

Capital projects – expenditure funded from non restricted sources which has been capitalised.

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

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

### *Restricted funds*

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

Scientific grants – grant awards for specific scientific projects.

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

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

### *Permanent endowment funds*

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

### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation.

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

Freehold buildings	– between 15 and 100 years depending on the building
Plant and machinery	– between 5 and 30 years depending upon the nature of the asset
Permanent exhibitions	– 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 Activities, or to the revaluation reserve to the extent that it relates to a previously revalued asset.

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

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

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

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

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

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

### Intangible assets

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

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

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

### Heritage assets

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

### Investments

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

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

### Financial instruments

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

### Cash and cash equivalents

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

### Stocks

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

### Leases

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

### **Foreign currencies**

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

### **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.

### **Pension costs**

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

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

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

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

### **Provision for shared services**

During 2016-17 the Museum supplied electricity and heating to the Victoria and Albert Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ring-fenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled 'equipment reserve'.

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

**2 Summary of results for the Natural History Museum only**

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Income and endowments</b>		
Grant-in-Aid	<b>49,115</b>	41,815
National lottery	<b>118</b>	135
Donations	<b>5,028</b>	4,874
Donations in kind	<b>327</b>	294
Trading activities	<b>1,354</b>	1,219
Shared services	<b>1,746</b>	1,876
Other income	<b>961</b>	899
Investment income	<b>41</b>	47
Admissions and memberships	<b>3,633</b>	3,786
Scientific grants	<b>5,737</b>	4,484
Transfer of funds from the Natural History Museum Cockayne Fund	<b>–</b>	175
Gift Aid from the Natural History Museum Trading Company	<b>4,007</b>	4,337
	<b>72,067</b>	63,941
<b>Expenditure</b>		
Costs of generating voluntary income	<b>14,413</b>	13,013
Fundraising trading: costs of goods sold and other costs	<b>1,843</b>	1,971
Public engagement	<b>26,973</b>	24,383
Scientific curation and research	<b>36,371</b>	35,048
Recharge from the Natural History Museum Trading Company	<b>(2,047)</b>	(2,021)
Loss on disposal of fixed assets	<b>120</b>	10
	<b>77,673</b>	72,404
<b>Net (expenditure)/income before other recognised gains/(losses)</b>	<b>(5,606)</b>	(8,463)
Gains/(losses) on foreign exchange	<b>658</b>	566
Gains on revaluation of fixed assets	<b>1,431</b>	71,623
<b>Net movement in funds</b>	<b>(3,517)</b>	63,726

**3 Grant-in-Aid**

	<b>2017</b>	2016
	<b>£000</b>	£000
Department for Digital, Culture, Media and Sport		
Resource Grant-in-Aid	<b>39,515</b>	39,515
Capital Grant-in-Aid	<b>9,600</b>	2,300
	<b>49,115</b>	41,815
General funds	<b>49,115</b>	41,815
	<b>49,115</b>	41,815

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

For the purposes of consolidated budgeting and monitoring with the Department for Digital, Culture, Media and Sport during the year, reflecting HM Treasury guidance, a budget of £4m for the Museum's operational non-capital research spend is tracked against Capital Grant-in-Aid, thereby reflecting budgeting totals of £13,600k for Capital Grant-in-Aid and £35,515k for Resource Grant-in-Aid.

**4 Trading activities income**

	<b>2017</b>	2016
	<b>£000</b>	£000
Brand Management	<b>199</b>	139
Retail	<b>7,637</b>	8,351
Catering and Functions	<b>5,113</b>	4,820
Touring Exhibitions	<b>1,377</b>	1,215
Other	<b>1,686</b>	1,553
	<b>16,012</b>	16,078

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

Trading subsidiary turnover	<b>16,073</b>	16,692
Less: Science consultancy (included in scientific grants and contracts)	<b>(1,219)</b>	(1,219)
Commercial sponsorship	<b>(196)</b>	(613)
Add: Other trading activities income (Museum income)	<b>1,354</b>	1,218
	<b>16,012</b>	16,078

**5 Investments and other income**

	<b>2017</b>	2016
	<b>£000</b>	£000
Income from UK equities	<b>31</b>	36
Income from other investments	<b>23</b>	15
Bank interest	<b>41</b>	47
	<b>95</b>	98

Other income

Rentals	<b>96</b>	164
Other	<b>865</b>	735
	<b>961</b>	899

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

**6 Net (expenditure)/income before transfers**

	<b>2017</b>	2016
	<b>£000</b>	£000
is stated after crediting:		
Scientific grants from the European Union	<b>1,648</b>	1,374
and after charging:		
Expenditure in respect of scientific grants from the European Union	<b>1,648</b>	1,374
Auditors' remuneration – Museum auditors		
Museum audit	<b>47</b>	49
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>704</b>	673
Travel, subsistence and hospitality	<b>972</b>	1,107
Depreciation	<b>13,233</b>	11,356
Amortisation	<b>355</b>	364
Stock recognised as an expense	<b>3,872</b>	4,218

**7 Total resources expended**

	Activities undertaken			Activities undertaken		
	directly	Support costs	<b>Total</b>	directly	Support costs	<b>Total</b>
	£000	£000	<b>£000</b>	£000	£000	<b>£000</b>
Costs of generating voluntary income	7,723	6,690	<b>14,413</b>	6,442	6,571	<b>13,013</b>
<i>Cost of philanthropic fundraising</i>	2,176	1,338	<b>3,514</b>	1,199	714	<b>1,913</b>
<i>Cost of generating other voluntary income</i>	5,547	5,352	<b>10,899</b>	5,243	5,857	<b>11,100</b>
Fundraising trading	10,976	–	<b>10,976</b>	11,879	–	<b>11,879</b>
Public Engagement	18,070	8,903	<b>26,973</b>	16,306	8,077	<b>24,383</b>
Scientific curation and research	24,856	12,403	<b>37,259</b>	22,929	12,537	<b>35,466</b>
Loss on disposal of fixed assets	129	–	<b>129</b>	26	–	<b>26</b>
	61,754	27,996	<b>89,750</b>	57,582	27,185	<b>84,767</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.

**Support costs by activity**

2016-17	Generating voluntary income	Public Engagement	Scientific	<b>Total</b>
	£000	£000	£000	<b>£000</b>
Management	322	429	598	<b>1,349</b>
Human resources	401	535	745	<b>1,681</b>
Estates	2,183	2,905	4,047	<b>9,135</b>
Finance	324	431	600	<b>1,355</b>
Information technology	856	1,139	1,587	<b>3,582</b>
Governance	50	66	92	<b>208</b>
Depreciation	2,554	3,398	4,734	<b>10,686</b>
	6,690	8,903	12,403	<b>27,996</b>

2015-16	Generating voluntary income	Public Engagement	Scientific	<b>Total</b>
	£000	£000	£000	<b>£000</b>
Management	379	465	721	<b>1,565</b>
Human resources	379	467	723	<b>1,569</b>
Estates	2,408	2,960	4,596	<b>9,964</b>
Finance	422	519	806	<b>1,747</b>
Information technology	773	950	1,474	<b>3,197</b>
Governance	54	66	102	<b>222</b>
Depreciation	2,156	2,650	4,115	<b>8,921</b>
	6,571	8,077	12,537	<b>27,185</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>2017 Total £000</b>	2016 Total £000
Salaries and wages	25,521	4,739	<b>30,260</b>	27,613
Superannuation	4,892	791	<b>5,683</b>	5,531
National Insurance	2,491	440	<b>2,931</b>	2,233
Cost of agency staff	–	2,906	<b>2,906</b>	3,946
	<b>32,904</b>	<b>8,876</b>	<b>41,780</b>	<b>39,323</b>

Included in the above staff costs are redundancy costs of £1,747,000 (2016: £416,000).

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

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

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2016-17, the rates were in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Payments of £5,586,000 were made during the year. Costs are allocated across expenditure headings based on the section in which the relevant staff are employed.

Employees joining after 1 October 2002 may opt to open a partnership pension account, a stakeholder pension with an employer contribution. Payments of £88,000 were made during the year.

The Chair and Board of Trustees received no remuneration for their services during the year (2016: nil). Travel and subsistence expenses of £2,722 (2016: £4,591) were reimbursed to 4 (2016: 5) Trustees.

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

	<b>2017</b>	2016
£190,000 - £200,000	<b>1</b>	–
£180,000 - £190,000	<b>–</b>	1
£120,000- £130,000	<b>3</b>	3
£110,001 - £120,000	<b>1</b>	–
£100,001 - £110,000	<b>1</b>	1
£90,001 - £100,000	<b>4</b>	1
£80,001 - £90,000	<b>6</b>	8
£70,001 - £80,000	<b>7</b>	9
£60,001 - £70,000	<b>14</b>	15

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £702,408 (2016: £676,084).

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

The key management personnel comprise the Museum Director, the Director of Finance and Corporate Services, the Director of Science, the Director of Public Engagement and the Director of Development and Communications. The total employee benefits of the key management personnel of the Museum were £889,605 (2016: £865,340).

The Remuneration of key management personnel of the Museum, including details of bonuses and pensions, are disclosed in the Report on the Remuneration of Senior Management on pages 17 to 21.

The average number of employees during the year was 928 (2016: 924) organised into the following categories:

	Permanent contracts	Other contracts	2017 Total	2016 Total
Costs of generating voluntary income	130	45	175	171
Public Engagement	173	147	320	293
Scientific curation and research	241	90	331	356
Support	87	15	102	104
	631	297	928	924

## 8 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
<b>Value</b>								
Balance at 1 April 2016	453,960	79,851	1,680	36,726	12,406	20,060	4	604,687
Additions	833	347	6,647	(5)	375	655	–	8,852
Disposals	–	–	–	(422)	(28)	(870)	–	(1,320)
Revaluation	1,297	244	–	–	–	–	–	1,541
Transfers in/(out)	(2,838)	–	322	–	1,783	733	–	–
Balance 31 March 2017	453,252	80,442	8,649	36,299	14,536	20,578	4	613,760
<b>Depreciation</b>								
Balance 1 April 2016	9,963	9,751	–	26,820	8,402	14,661	4	69,601
Charge for year	5,256	4,897	–	1,269	565	1,246	–	13,233
Disposals	–	–	–	(318)	(34)	(847)	–	(1,199)
Revaluation	47	63	–	–	–	–	–	110
Transfers in/(out)	(352)	–	–	–	352	–	–	–
Balance 31 March 2017	14,914	14,711	–	27,771	9,285	15,060	4	81,745
<b>Net Book Value 31 March 2017</b>	<b>438,338</b>	<b>65,731</b>	<b>8,649</b>	<b>8,528</b>	<b>5,251</b>	<b>5,518</b>	<b>–</b>	<b>532,015</b>
Net Book Value 31 March 2016	443,997	70,100	1,680	9,906	4,004	5,399	–	535,086

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Wandsworth, London, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets are revalued at least quinquennially on a depreciated replacement cost basis and indexed using indices from professional sources in the intervening years. The most recent full valuation was performed by Gerald Eve LLP, Chartered Surveyors, as at 31 March 2014, in accordance with the RICS Appraisal and Valuation Manual (the red book). An intervening revaluation was carried out at 31 March 2017 based on price indices prepared by Gerald Eve LLP.

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

The professional valuations at 31 March 2014 were as follows:

<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 in Wandsworth, London	8,606	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

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

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

	<b>2017 £000</b>	<b>2016 £000</b>
The current cost depreciation shown above is charged in the Statement of Financial Activities (page 30) as follows:		
Depreciation included in Total Resources Expended	<b>13,233</b>	11,356
	<b>13,233</b>	<b>11,356</b>

	<b>2017 £000</b>	<b>2016 £000</b>
Gains on indexation and revaluation of fixed assets shown above are recognised in the Statement of Financial Activities as follows:		
Revaluation value	<b>1,541</b>	74,836
Prior year depreciation adjustment arising from revaluation	<b>(110)</b>	(3,213)
	<b>1,431</b>	<b>71,623</b>

<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 at 1 April 2016	452,896	79,851	2,744	36,725	12,103	19,450	4	<b>603,773</b>
Additions	833	347	6,647	(5)	313	640	–	<b>8,775</b>
Disposals	–	–	–	(422)	(8)	(865)	–	<b>(1,295)</b>
Revaluation	1,297	244	–	–	–	–	–	<b>1,541</b>
Transfers in/ (out)	(1,774)	–	(742)	–	1,783	733	–	<b>–</b>
Balance 31 March 2017	<b>453,252</b>	<b>80,442</b>	<b>8,649</b>	<b>36,298</b>	<b>14,191</b>	<b>19,958</b>	<b>4</b>	<b>612,794</b>
<b>Depreciation</b>								
Balance April 2016	9,963	9,751	–	26,820	8,212	14,285	4	<b>69,035</b>
Charge for year	5,256	4,897	–	1,269	536	1,189	–	<b>13,147</b>
Disposals	–	–	–	(318)	(15)	(842)	–	<b>(1,175)</b>
Revaluation	47	63	–	–	–	–	–	<b>110</b>
Transfers in/ (out)	(352)	–	–	–	352	–	–	<b>–</b>
Balance 31 March 2017	<b>14,914</b>	<b>14,711</b>	<b>–</b>	<b>27,771</b>	<b>9,085</b>	<b>14,632</b>	<b>4</b>	<b>81,117</b>
<b>Net Book Value</b>								
<b>31 March 2017</b>	<b>438,338</b>	<b>65,731</b>	<b>8,649</b>	<b>8,527</b>	<b>5,106</b>	<b>5,326</b>	<b>–</b>	<b>531,677</b>
Net Book Value 31 March 2016	442,933	70,100	2,744	9,905	3,891	5,165	–	534,738

**9 Intangible assets**

<b>Group</b>	Image Rights £000	IT Software £000	<b>Total £000</b>
<b>Value</b>			
Balance 1 April 2016	480	3,405	<b>3,885</b>
Additions	–	76	<b>76</b>
Disposals	–	(1,212)	<b>(1,212)</b>
<b>Balance 31 March 2017</b>	<b>480</b>	<b>2,269</b>	<b>2,749</b>
<b>Amortisation</b>			
Balance 1 April 2016	136	2,165	<b>2,301</b>
Charge for year	96	259	<b>355</b>
Disposals	–	(1,203)	<b>(1,203)</b>
<b>Balance 31 March 2017</b>	<b>232</b>	<b>1,221</b>	<b>1,453</b>
<b>Net Book Value 31 March 2017</b>	<b>248</b>	<b>1,048</b>	<b>1,296</b>
Net Book Value 31 March 2016	344	1,240	<b>1,584</b>

**Museum**

	IT Software £000	<b>Total £000</b>
<b>Value</b>		
Balance 1 April 2016	3,118	<b>3,118</b>
Additions	41	<b>41</b>
Disposals	(1,185)	<b>(1,185)</b>
<b>Balance 31 March 2017</b>	<b>1,974</b>	<b>1,974</b>
<b>Amortisation</b>		
Balance 1 April 2016	2,041	<b>2,041</b>
Charge for year	217	<b>217</b>
Disposals	(1,184)	<b>(1,184)</b>
<b>Balance 31 March 2017</b>	<b>1,074</b>	<b>1,074</b>
<b>Net Book Value 31 March 2017</b>	<b>900</b>	<b>900</b>
Net Book Value 31 March 2016	1,077	<b>1,077</b>

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

**10 Collections assets**

	<b>Group 2017 £000</b>	Group 2016 £000	<b>Museum 2017 £000</b>	Museum 2016 £000
Net book value at 1 April 2016	<b>2,861</b>	2,861	<b>2,861</b>	2,861
Additions in year	<b>328</b>	–	<b>328</b>	–
Net book value at 31 March 2017	<b>3,189</b>	2,861	<b>3,189</b>	2,861

**Acquisitions Summary 2012-17**

	2012-13	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000	£000
Acquisitions >£5k	95	794	120	–	35
Donations > £5k	–	–	–	–	293

**Valuation**

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

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

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

The total number of collection items which have been capitalised amounts to less than 1% of the Museum's total collection.

**Scope of the collections**

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

**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.

\* 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).

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.

### **Mineralogy**

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

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

### **Collections management policy**

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

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

### **Access to the collections**

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

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

Over 27,000 specimens are on public display and the Museum welcomed over 4.4 million visitors to its public galleries during 2016-17.

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

The Museum kicked off a second tranche of projects under its Digital Collections Programme – this tranche will run until the end of March 2019, and key programme benefits are around collections access in accordance with our open by default policy. There are now over 3.4 million specimen records from our collection on the Data Portal (<http://data.nhm.ac.uk/>), including the Museum's British butterfly collections. During 2016-17 we have run several pilots to crowdsource digitising data from collections labels by transcribing from images. Transcription – particularly of historic, hand-written labels and registers – is one of the key challenges in unlocking collections data, and crowdsourcing also helps us learn about new ways to engage the public with our collections. People can now follow our digitisation efforts on Twitter at @NHM\_Digitise.

Library and Archives continued its digitisation programme. Over 3.8 million pages of content are available in the Biodiversity Heritage Library [www.biodiversitylibrary.org](http://www.biodiversitylibrary.org). Over 9 million species names are identified with those pages.

### **Immunity from seizure**

The Museum received Approved Status for immunity from seizure purposes on 9th April 2014. During the financial year 2016-17 no loans were made to the Museum which required immunity.

### **Human remains**

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

No human remains were returned in the financial year 2016-17. One new claim for the return of human remains was received from National Museums and Monuments of Zimbabwe at the request of the Government of Zimbabwe.

### **Specimens loaned**

Under the British Museum Act 1963, the Museum can make loans for research as well as exhibition purposes. Loans are made in accordance with the Museum's Collections Access and Information Policy approved by the Trustees in February 2014. Each year Science group undertakes hundreds of research loans comprising many thousands of items which are used in research projects on every continent. Study of these items contributes to countless conference talks, books, monographs, papers and PhDs and is an essential way in which the Museum makes its collections available across the globe. During the year, 25,681 specimens were loaned towards research purposes.

During the year approximately £20,643 was spent on collections purchases, below the capitalisation threshold. Additionally £35,000 was spent on acquisitions that have been added to the asset register. Collections valued at approximately £293,232 from the donation of private collections, have also been added to the 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). Projects to improve storage of the Anthropology Collections and increase storage and capacity of the Conservation Centre have started; building work relating collections storage in the North West Tower was completed on 31st October 2016.

A five year interim storage agreement for low use published library collections is in development between Library and Archives and the British Library. The agreement involves the accommodation of selected low-use serials from the NHM South store and access services. The storage space released at the NHM South London Store will accommodate high-use collections relocated from South Kensington space required for other Museum purposes.

**11 Investments**

	Market Value at 1 April 2016 £000	Additions £000	Increase/ (decrease) in market value £000	Disposals £000	Market Value at 31 March 2017 £000
<b>Group</b>					
UK Equities	875	–	59	(934)	–
Other UK investments	482	–	42	(524)	–
CCLA COIF – Charities Investment Fund	21	1,469	(1)	–	<b>1,489</b>
	<b>1,378</b>	<b>1,469</b>	<b>100</b>	<b>(1,458)</b>	<b>1,489</b>
<b>Museum</b>					
UK investment in Subsidiary	300	–	–	–	<b>300</b>
	<b>300</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>300</b>

During the year the investments of the Special Funds were transferred from UK Equities and other UK investments into a mixed Investment Fund operated by CCLA.

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

**12 Trading Subsidiary**

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

Trading Company profits are donated to the Museum annually under the Gift Aid scheme.

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

	<b>Total 2017</b>	<b>Total 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Income and expenditure</b>		
Turnover	<b>16,073</b>	16,692
Cost of sales	<b>(7,845)</b>	(7,958)
Gross profit	<b>8,228</b>	8,734
Other expenses	<b>(4,221)</b>	(4,397)
Operating profit	<b>4,007</b>	4,337
Amount of gift-aided donation to Museum	<b>(4,007)</b>	(4,337)
Loss on ordinary activities before taxation	–	–
Taxation	–	–
Retained in subsidiary	–	–
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance Sheet</b>		
Fixed assets (tangible and intangible)	<b>734</b>	853
Current assets	<b>3,432</b>	3,443
Current liabilities	<b>(3,866)</b>	(3,996)
<b>Net assets</b>	<b>300</b>	300
<b>Share capital and reserves</b>	<b>300</b>	300

**13 Stock**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Finished goods and goods for resale	<b>1,151</b>	1,291	<b>248</b>	217
Work in progress	<b>33</b>	49	<b>33</b>	49
	<b>1,184</b>	1,340	<b>281</b>	266

**14 Debtors**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Trade debtors	<b>1,872</b>	2,286	<b>615</b>	824
Other debtors	<b>1,674</b>	1,422	<b>1,674</b>	1,422
Amounts due from subsidiary undertaking	<b>–</b>	–	<b>1,616</b>	1,193
Prepayments and accrued income	<b>3,197</b>	2,846	<b>2,602</b>	2,402
	<b>6,743</b>	6,554	<b>6,507</b>	5,841

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Debtors include the following financial instruments:				
Gross trade debtors	<b>1,941</b>	2,351	<b>624</b>	824
Less: provision for impairment	<b>(69)</b>	(65)	<b>(9)</b>	–
	<b>1,872</b>	2,286	<b>615</b>	824
Other debtors	<b>1,674</b>	1,422	<b>1,674</b>	1,422
	<b>3,546</b>	3,708	<b>2,289</b>	2,246

As the Museum receives a substantial part of its income from the Department for Digital, 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>1,478</b>
up to 30 days past due	<b>128</b>
30-60 days past due	<b>123</b>
Over 60 days past due	<b>143</b>
	<b>1,872</b>

**15 Cash at bank and in hand**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Balances held with the Government Banking Service	<b>17,820</b>	12,862	<b>17,820</b>	12,861
Balances held with commercial banks and cash in hand	<b>8,037</b>	11,800	<b>7,167</b>	11,182
	<b>25,857</b>	24,662	<b>24,987</b>	24,043

Included in the above are balances in Euros equivalent to £1,693,000 (2016: £6,419,000) and US Dollars equivalent to £3,314,000 (2016: £3,980,000). These balances do not expose the Museum to any significant

exchange rate risk as they are primarily held in connection with grants received from funders where onward payments are to be made in the same currency.

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

## 16 Cash held for third parties

Included in the cash balances (note 15) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's Investment Policy (see note 15). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2017 the cash balances held for third parties amounted to £828,000 (2016: £4,268,000).

## 17 Creditors: amounts falling due within one year

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Trade creditors	<b>2,156</b>	2,394	<b>1,922</b>	2,233
Other creditors	<b>1,303</b>	1,363	<b>1,011</b>	1,040
Deferred income	<b>5,813</b>	7,842	<b>4,438</b>	5,905
Accruals	<b>5,086</b>	3,437	<b>4,725</b>	3,046
DCMS loan falling due in less than 1 year	<b>552</b>	–	<b>552</b>	–
	<b>14,910</b>	15,036	<b>12,648</b>	12,224

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

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
<b>Deferred income</b>				
As at 1 April 2016	<b>7,842</b>	6,545	<b>5,905</b>	4,478
Deferred in current year	<b>3,909</b>	6,897	<b>2,687</b>	5,195
Released from previous year	<b>(5,938)</b>	(5,600)	<b>(4,154)</b>	(3,768)
As at 31 March 2017	<b>5,813</b>	7,842	<b>4,438</b>	5,905

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

## 18 Creditors: amounts falling due within one year

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
DCMS loan falling due in less than 5 years	<b>2,184</b>	306	<b>2,184</b>	306
	<b>2,184</b>	306	<b>2,184</b>	306

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

## 19 Commitments under operating leases

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

	Land and buildings £000	Other assets £000	<b>Total 2017 £000</b>	Total 2016 £000
Payments due within one year	13	116	<b>129</b>	149
in second to fifth year	–	74	<b>74</b>	27
over 5 years	–	49	<b>49</b>	–
	<b>13</b>	<b>239</b>	<b>252</b>	<b>176</b>

During the year, payments of £174,000 (2016: £134,000) were made under operating leases.

## 20 Statement of Funds

	At 1 April 2016 £000	Income £000	Expenditure £000	Gains/ losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2017 £000
<b>Restricted Funds</b>							
Scientific grants	–	5,921	(5,921)	–	–	–	–
Grant-in-Aid	102	–	(7)	–	–	–	<b>95</b>
Sponsored assets	88,234	2,619	(3,042)	–	993	61	<b>88,865</b>
Projects/other funds	590	953	(738)	–	–	320	<b>1,125</b>
Donations in kind	–	327	(34)	–	–	–	<b>293</b>
Equipment reserve	227	–	–	–	–	–	<b>227</b>
	<b>89,153</b>	<b>9,820</b>	<b>(9,742)</b>	<b>–</b>	<b>993</b>	<b>381</b>	<b>90,605</b>
<b>General Funds</b>	<b>6,842</b>	<b>72,659</b>	<b>(66,200)</b>	<b>658</b>	<b>–</b>	<b>(5,303)</b>	<b>8,656</b>
	<b>6,842</b>	<b>72,659</b>	<b>(66,200)</b>	<b>658</b>	<b>–</b>	<b>(5,303)</b>	<b>8,656</b>
<b>Unrestricted Funds – Designated</b>							
Special Funds	772	54	(11)	46	–	(8)	<b>853</b>
Projects/other activities	20	–	–	–	–	(20)	–
Shared services	–	1,654	(1,654)	–	–	–	–
Future scientific research	1,390	–	(634)	–	–	726	<b>1,482</b>
Future projects	5,356	–	–	–	–	(1,755)	<b>3,601</b>
Capital projects	453,260	–	(11,509)	–	438	5,979	<b>448,168</b>
	<b>460,798</b>	<b>1,708</b>	<b>(13,808)</b>	<b>46</b>	<b>438</b>	<b>4,922</b>	<b>454,104</b>
<b>Permanent Endowment Funds</b>	<b>764</b>	<b>–</b>	<b>–</b>	<b>54</b>	<b>–</b>	<b>–</b>	<b>818</b>
	<b>764</b>	<b>–</b>	<b>–</b>	<b>54</b>	<b>–</b>	<b>–</b>	<b>818</b>
<b>Total Funds</b>	<b>557,557</b>	<b>84,187</b>	<b>(89,750)</b>	<b>758</b>	<b>1,431</b>	<b>–</b>	<b>554,183</b>

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

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

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

Designated future projects funds are primarily allocated for work on the redevelopment of Hintze Hall, the construction of a members/patrons room, and the grounds front entrance project.

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

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

The transfers from designated future projects include transfers to designated capital projects where monies set aside for 2016-17 have been used for capital expenditure; as well as transfers from general funds to fund projects approved by the Trustees for the financial year 2017-18, not funded by revenues expected to be generated that in that year.

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

The transfers to and from general funds and designated projects/other activities funds represent departmental budgets carried forward for future projects and activities.

## 21 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
<b>Fund balances at 31 March 2017 are represented by</b>					
Tangible and heritage fixed assets	446,876	–	88,328	–	<b>535,204</b>
Intangible assets	1,296	–	–	–	<b>1,296</b>
Investments	671	–	–	818	<b>1,489</b>
Current assets	6,378	20,989	6,417	–	<b>33,784</b>
Liabilities	(1,117)	(12,333)	(4,140)	–	<b>(17,590)</b>
<b>Total net assets</b>	<b>454,104</b>	<b>8,656</b>	<b>90,605</b>	<b>818</b>	<b>554,183</b>
<b>Unrealised gains included in the above:</b>					
On tangible fixed assets	230,851	–	26,873	–	<b>257,724</b>
<b>Total unrealised gains at 31 March 2017</b>	<b>230,851</b>	<b>–</b>	<b>26,873</b>	<b>–</b>	<b>257,724</b>

**22 Net cash from operating activities**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Net (expenditure)/income before gains and losses	<b>(5,563)</b>	(8,596)	<b>(5,606)</b>	(8,463)
Gains/(losses) on foreign exchange differences	<b>658</b>	566	<b>658</b>	566
Donated heritage assets	<b>(293)</b>	–	<b>(293)</b>	–
Investment income received	<b>(95)</b>	(98)	<b>(41)</b>	(47)
Interest payable	<b>6</b>	1	<b>6</b>	1
Depreciation	<b>13,233</b>	11,356	<b>13,147</b>	11,261
Amortisation	<b>355</b>	366	<b>217</b>	226
Loss on disposal of fixed assets	<b>129</b>	26	<b>120</b>	10
Decrease/(increase) in stock	<b>156</b>	(343)	<b>(15)</b>	(21)
Decrease/(increase) in debtors	<b>(189)</b>	7,042	<b>(666)</b>	6,812
Increase/(decrease) in creditors	<b>(678)</b>	364	<b>(128)</b>	372
Net movement in provisions	<b>(70)</b>	(131)	<b>(70)</b>	(131)
<b>Net cash from operating activities</b>	<b>7,649</b>	10,553	<b>7,329</b>	10,586

**23 Provision for liabilities and charges**

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

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

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

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

**Early Retirement**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2016	<b>292</b>	449	<b>292</b>	449
Payments against provision	<b>(111)</b>	(124)	<b>(111)</b>	(124)
Adjustment to existing provision	<b>7</b>	(33)	<b>7</b>	(33)
Balance at 31 March 2017	<b>188</b>	292	<b>188</b>	292

**Redundancy Provision**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Balance at 1 April 2016	44	18	44	18
Addition to provision	21	44	21	44
Payments against provision	(44)	(18)	(44)	(18)
Balance at 31 March 2017	<b>21</b>	44	<b>21</b>	44

**Equipment Reserve Provision**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Balance at 1 April 2016	230	230	230	230
Addition to provision	57	–	57	–
Balance at 31 March 2017	<b>287</b>	230	<b>287</b>	230

**Total Provision for liabilities and charges**

	<b>Group</b> <b>2017</b> <b>£000</b>	Group 2016 £000	<b>Museum</b> <b>2017</b> <b>£000</b>	Museum 2016 £000
Balance at 1 April 2016	566	697	566	697
Addition to provision	78	44	78	44
Payments against provision	(155)	(142)	(155)	(142)
Adjustment to existing provision	7	(33)	7	(33)
Balance at 31 March 2017	<b>496</b>	566	<b>496</b>	566

**24 Capital commitments**

Outstanding capital commitments at 31 March 2017 amounted to £4,312,000 (2016: £689,000).

**25 Energy services and energy management services contracts**

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

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

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

ii) On the 22nd October 2010 a contract was signed between the Natural History Museum and Total Gas Contracts Limited for the provision of energy and energy management services at the Museum's sites at South Kensington, Wandsworth and Tring. Under the contract Total Gas Contracts Limited 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 whereby the monthly fee payable to Total Gas Contracts Limited is charged to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 102.

Future minimum commitments under the contracts at 31 March 2017 amounted to £7,282,000 (2016: £7,573,000).

## 26 Losses and special payments

There were no losses or special payments made during 2016-17 (2016: nil).

## 27 Related party transactions

The Natural History Museum is a non-departmental public body of the Department for Digital, 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 3) £49,115,000 (2016: £41,815,000).

During the year no other grants were received from DCMS (2016: £350,000).

During 2016, DCMS awarded the Museum a loan towards the Members' and Patrons' Room development totalling £2,730,000 of which the Museum received £2,425,000 (2016: £305,000) during the year. As at 31 March 2017, there was a balance outstanding to DCMS of £2,736,000 (2016: £306,000) in respect of this loan which includes accrued interest for the year ended 31 March 2017.

Supply of heat and power to the Victoria and Albert Museum totalling £1,111,000 (2016: £1,320,000). At 31 March 2017, there was a balance due from the Victoria and Albert Museum of £150,000 (2016: £330,000) in respect of these services.

Payments of £97,000 (2016: £92,000) were made to the Victoria and Albert Museum for security management services. At 31 March 2017, there was a balance of £15,000 (2016: £17,000) due to the Victoria and Albert Museum in respect of these services.

Supply of power to the Science Museum Group totalling £626,000 (2016: £618,000). At 31 March, there was a balance of £105,000 due from the Science Museum Group in respect of these services (2016: £132,000).

No payments were made to the British Museum during the year (2016: £75,000).

Income of £1,000 was received from the British Museum in respect of royalty payments (2016: £8,000 was received in respect of catering and security services).

Payments of £20,000 (2016: £21,000) were made to the Imperial War Museum in respect of the National Museum Directors' Council membership.

Dame Frances Cairncross DBE FRSE serves on the Board of Trustees at the Natural History Museum Development Trust ('the Trust'). As at 31 March 2017, there were balances of £3,840 (2016: £15,537) due from the Trust in respect of administrative services and a balance of nil in respect of donations (2016: £200,000).

Professor Sir John Beddington CMG FRS is President and Sir Michael Dixon is a Fellow of the Zoological Society of London. Payments of £10,000 (2016: nil) were made in relation to research project costs. Income of £2,000 was received for staff costs (2016: £1,000 for library subscription and miscellaneous purchases).

Professor Sir John Beddington CMG FRS is Chair of Rothamsted Research. Income of £15,000 (2016: nil) was received during the year for science equipment.

Professor Stephen Sparks CBE FRS and Dame Janet Thornton DBE FRS are members of the Council of The Royal Society. £8,000 was paid in respect of journal subscriptions and subsistence costs for grant project staff (2016: £9,000 in respect of image rights and journal subscriptions).

Dame Janet Thornton DBE FRS is a member of the European Research Council. The Natural History Museum is a participant in a Council-funded research project entitled 'Colonisation and cultural diversification in unfamiliar landscapes'.

Simon Patterson is a member of the Board of Directors of Dell. Payments of £226,000 (2016: 267,000) were made for the supply of computers and accessories.

Sir Michael Dixon is a member of Court at the University of Reading. During the year £1,000 was received in respect of catering (2016: nil).

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

Sir Michael Dixon is a Fellow of the Linnean Society of London. Income of £100 was received in respect of conference sponsorship (2016: payments of £300 were made related to room hire and catering).

Neil Greenwood is a Board member of the London Universities Purchasing Consortium. Payments of £6,000 (2016: £6,000) were made in respect of membership.

Sir Michael Dixon is Chair-Elect and Neil Greenwood was a board member and co-chair until July 2016 of the Exhibition Road Cultural Group. Payments of £24,000 (2016: £20,000) were made in respect of membership.

## **28 Post balance sheet events**

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

There are no post balance sheet events to report.









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