

**THREE HUNDRED AND FIFTY-FIRST MEETING OF
THE TRUSTEES OF THE NATIONAL MARITIME MUSEUM**

09:30 THURSDAY 23 FEBRUARY 2017

IN THE BOARDROOM, PARK ROW WING

NATIONAL MARITIME MUSEUM

MINUTES

Trustees present:

Sir Charles Dunstone, Chairman
Professor Alison Bashford
Joyce Bridges
Aminul Hoque
Professor Chris Lintott
Carol Marlow
Jeremy Penn
Eric Reynolds
Admiral Sir Mark Stanhope

In attendance:

Kevin Fewster	Director
Andy Bodle	Director, Operations and HR
Anupam Ganguli	Director, Finance
Eleanor Harris	Director, Visitor Experience and Enterprises
Mike Sarna	Director, Collections and Public Engagement
Christopher Gray	Museum Secretary

The Chairman welcomed Eleanor Harris, Director, Visitor Experience and Enterprises to the Museum and to the meeting of the Board of Trustees.

~Governance Session~

- 1. Apologies**
Received from: Eleanor Boddington, Gerald Russell, Jonathan Ofer and Kate Seeckts, Director, Development.
- 2. Declaration of relevant interests related to this meeting**
None other than those previously registered.
- 3. Draft minutes of Board Meeting 350 of 24 November 2016**
The Board **agreed** the notes and minutes to be a true record of the meetings and the Chairman of the Board certified the minutes accordingly.

There were no matters arising.
- 4. Director's Report and KPIs for Q3 2016–17**
The Director drew particular attention to the outstanding progress on fundraising for the Endeavour galleries that had been made since the previous Board meeting last November:
 - Mark Pigott, the American philanthropist, has pledged £1m through the American Friends of RMG to support the gallery in which we will mount the

Tudor and Stuart Seafarers exhibition. The Director thanked Admiral Sir Mark Stanhope for his great assistance with this significant donation.

- £1m has been granted to us from the government's Libor fund
- The Wolfson Trust has pledged £750,000 to the Endeavour galleries
- The Foyle Foundation has pledged £400,000 to the Endeavour Galleries
- The DCMS Wolfson Gallery Improvements scheme has granted £125,000 to the Endeavour galleries project.

The Chairman and Board of Trustees congratulated Kate Seeckts, Director, Development for her and everyone in her team's great work in securing all this excellent support.

The Director went on to draw Trustees' attention to:

- Further analysis had revealed less asbestos in the East Wing than was foreshadowed in the November report to Trustees. Nevertheless, its removal has impacted the project programme, necessitating the opening date for the new galleries put back to September 2018.
- ROG – Fitout work is underway to upgrade the ROG Three Arches entrance and Meridian shop. The upgraded facilities should be operational by late March but certainly in time for Easter.
- The Learning and Interpretation Department opened an innovative Pop-up Museum experience on 11 February in Lewisham Shopping Precinct. The experience centres on the HLF Traveller's Tails project (related to the acquisition of the Stubbs' Dingo and Kangaroo paintings) and also informs development of the Pacific Encounters gallery. The space features interactives, handling collections, a "make and take" area and a reproduction of the Dingo artwork. Lewisham shopping centre has kindly donated the use of the space while the shop space remains without a tenant.

Apropos the Pop-up shop, Trustees recommended the Executive to look into taking a space on Farringdon Road – the footfall along which was tremendous.

It was clarified that, disappointingly, there was as yet no multi-lingual packs for the *Cutty Sark*.

The Director also commented that there was evidence that suggested that though international tourism visitation was now beginning to show improvement, those visitors were not coming to cultural institutions such as museums and galleries.

Trustees noted and were puzzled by the major new Pacific gallery remaining without a principal funder - though the Director commented that there were still prospects in mind.

Trustees were grateful for and **noted** the Director's Report and the good progress being made across many fronts.

5. Director of Finance Report

5.1 Finance report at Q3 2016-17 and Executive expenses

The Director, Finance reported on the Museum's management accounts for the first nine months of the current financial year and stated that the Q3 forecast is also based on these numbers.

Revenue

Trustees noted that the overall revenue surplus is £245k compared to a forecast deficit of £710k. The total variance of £955k comprises £828k for the Museum and £127k for the Cutty Sark.

The Director, Finance went on to report that, for the Museum, the variance of £828k is made up of:

- 1) Timing differences on exhibition build expenditure
- 2) Delays to media buy expenditure on Emma and Endeavour hoardings
- 3) Improved retail margins
- 4) Additional ROG revenues
- 5) Delays to estates maintenance because of Queen's House delays
- 6) Deferred costs of Queen's House opening events; and
- 7) Underspends in a range of areas including freelancers, Development events and Library IT support contracts.

These were offset by an adverse variance of £38k on Events, and of £30k on Planetarium income (although visitor numbers are higher than forecast – which indicates a lower yield because of visitor mix). Donations are under forecast because some have been allocated to Capital fundraising for the Queen's House, the Armada portrait and Endeavour.

The Cutty Sark's operating results are £127k better than forecast.

Admissions income is £65k below forecast with 186k actual visitors against a forecast of 198k.

Travel Trade and third party income is £60k better than forecast because of London Pass and other promotions. However, Events are below budget by £41k because of a shortfall in corporate hires and weddings. Events income is forecast to finish the year 25% down on the Q2 forecast but up 16% compared to last year.

Capital

The Director, Finance went reported that the capital deficit is £2.1m against a forecast deficit of £3.7m and this has arisen due to expenditure delays on Kidbrooke and the galleries - the latter offset by the reimbursements from HLF.

Moreover, final costs on the Queen's House have been less than forecast and there is a favourable timing variance on the purchase of cleaning and learning and interpretation equipment for the Cutty Sark.

There were no matters arising and the Board then **noted** the Management Accounts for the period to 31 December 2016 and the Directors' expenses.

5.2 Income update for the year to end January 2017

The Director, Finance tabled the draft income figures for the first ten months of the 2016-17 financial year. The total income was £20.2m including £11m of GIA which was £172k less than the Q3 forecast.

The main variances - all in the Museum - were:

- **Events** are £14k under budget due to fewer corporate bookings for Neptune Court and the Queen's House in January. However there is current bookings of £25k which will cover the shortfall
- **Donations** (Actual £191k : Forecast £230k) £17k of Donations for the Queen's House and the Armada Portrait have been accounted for in Capital; a legacy of US\$25k from the Marilyn Petersen Trust has been allocated to the *Endeavour* Project
- **Grants** (Actual £143k : Forecast £175k) The forecast for HLF grants is overstated by £28k as this had been duplicated in the forecast in error.

The Board then **noted** the Income update for the year to February 2017.

5.3 Forecast at Q3 2016–17

The Director, Finance took the Board through the third and last forecast for the current financial year which was based on the performance of the first nine months and other known changes.

Revenue

The 2016-17 budgeted revenue surplus was £649k and the Q2 forecast was £170k. The Q3 forecast surplus is £412k – an increase of £242k.

The significant reduction is the forecast ticket income for Emma but this is offset by additional admissions income from the ROG.

The other main increases in income are in retail (due to better margins) and other income. Exhibitions expenditure is £95k less than the Q2 forecast.

The Director, Finance reported that Maintenance costs are £61k more than the previous forecast because of unforeseen works at the ROG and facilitation works on Endeavour. Other costs increase by £115k principally because of £25k of unrecoverable VAT with respect to the transfer of the *Cutty Sark* and project costs of £59k for National Historic Ships not included in the Q2 forecast.

For the *Cutty Sark* the main adverse variances are on events and maintenance which are offset by forecast additional income from Travel Trade, third party and groups.

Capital

The Director, Finance reported that the capital forecast had changed quite significantly as the Museum has had to change the way it accounts for fundraised income to comply with the accounting standard FRS 102.

FRS102 requires the Museum to recognise income in our year-end statutory accounts as soon as it is “probable” i.e. it will be received and there are no conditions attached to the grant or donation. Therefore, in the Q3 forecast all the income that has been raised in the last three months has been included. This changes the forecast at Q2 by some £9m from a deficit of £4.9m to a surplus of £4.2m.

Trustees requested an explanatory note on this matter in the next set of management accounts.

Trustees were grateful for the Director, Finance's clear report and **approved** the forecast at Q3 2016-17.

5.4 Strategic Risk Register at January 2017

The Director, Finance confirmed that the register had been reviewed by the Audit Committee earlier in the month.

It was reported that the Executive had reviewed the Risk Register in January 2017 and had identified the following two additional risks:

- Drop in overseas tourists the reasons for which are not known (this is impacting museums and visitor attractions all over the country)
- Damage to collections as a result of an increase in moth infestation across the sites as a consequence of global warming

To balance these was the pleasing news that, as the base-build and gallery fit-out tenders have come in on budget, the following risk has been dropped:

- An overheated construction industry prevents the Museum from getting quality contractors at the right price for base build and gallery fit out.

The Board then **approved** the Strategic Risk Register as at January 2017.

6. Endeavour project

6.1 Progress report

The Director introduced the February update of the report and were pleased to note that the asbestos clearance works were less expensive than could have been the case. Also, as noted in the Strategic Risk Register, the base-build and showcase tenders had been received and neither sets of submissions were above budget.

The Director, Finance stated that the Full Business Case for the galleries goes to DCMS for approval the following week.

The Board then **noted** the February 2017 Endeavour project progress report.

6.2 Major donor agreements

The Director spoke to the major donor agreements paper and the Board were pleased to **agree** the naming rights and other proposals therein.

7. 2017-18

7.1 Draft 2017-18 budget

The Director, Finance stated that it is important for the Board to note that the budget meets four key strategic objectives to:

1. Provide an operating surplus of £535k to mitigate against in-year financial risks
2. Ensure that free admission to the national collection continues in 2017-18
3. Achieve the objectives in the divisional business plans for 2017-18
4. Ensure the feasibility of all the strands of the Endeavour project;

and that the Executive consider the budget to be realistic and achievable. The Director, Finance reminded Trustees in the Settlement Letter from DCMS for the current Spending Review period the Museum was asked to ensure there is 5% “flexibility” in its budgets. This equates to £690k. The 2016-17 year’s budgeted surplus was £650k.

It was reported that the Executive consider that the possibility of in-year cuts to Grant-in-Aid of as much as 5% has somewhat lessened. Cuts, if they happen, of about 1 or 2% are probably more realistic. Trustees were told that for the Museum this equates to £138k and £276k respectively which can be covered from the budgeted surplus of £535k. However, prior to last year, the budgeted surplus has been around the £500k mark. The Director, Finance reported that it is getting increasingly difficult to budget for surpluses at this level but the Executive are optimistic about the plans for commercial growth. Prudence had dictated that the newly negotiated and improved catering commission rates had not been included in the budget.

The budgeted operating surplus for the Museum of £108k is after the management recharge of £400k to *Cutty Sark*, and *Cutty Sark*’s surplus is £427k after the management charge is taken. Trustees were pleased to note that this means that it will be possible to put at least another £150k from this surplus towards the designated fund setup to cover the long term maintenance of the ship.

At the moment for *Cutty Sark* there is a restricted fund of £638k (which was the amount transferred from the Cutty Sark Trust) and a further designated fund of £150k to which should be added another £150k at the end of the current financial year.

Revenue Grant in Aid - £13.8m (2015-16 - £13.8m)

The Museum's Revenue GIA, announced in the Spending Review settlement in November 2015, will remain the same for 2016-17 to 2019-20 as it was in 2015-16 i.e. £13,795k.

Trustees noted that the Museum's Revenue Grant-in- Aid has declined significantly in real terms since 2009-10 by some 28%.

Revenue Budget summary

The net revenue budget (including temporary exhibitions) for 2017-18 is a surplus of £535k. However, there are some potential risks to the budget which are noted in Section 6.

The Director, Finance highlighted the potential upside from the new catering contract which, for reasons of timing and prudence, has not been included in the revenue budget.

Capital Budget summary

The Capital budget is a deficit of £8,198k. This is because the expenditure on Kidbrooke ramps up in the first half of 2017-18 as does the expenditure on the galleries. As had been mentioned before, the amounts raised to date for the galleries has been taken in 2016-17 to comply with the accounting standard FRS 102.

The Director Finance stated that effectively the deficit will be covered by a reserves movement ie the surplus this year will be carried forward to cover the deficit next year. Also, further monies raised for the galleries and the Kidbrooke learning centre during the year will reduce the deficit further.

Reserves

The movements in reserves was summarised in section 5

Appendix 4 showed the movement in Development Reserves. At 31 March 2018, the Development reserve drops to £1.3m from the £1.7m at the start of the year. The go back up to £1.6m at the end of the Endeavour project in 2018-19. It is also important to note that the Museum will be using some of the Development Reserves to cover cash flow requirements in 2017-18 when expenditure ramps up on the Endeavour project and there is a timing difference between the expenditure and pledges converting to cash. The Development Fund will be replenished as the as the pledges come in.

Trustees then explored the forecasting of visitor numbers for special exhibitions. The Executive confirmed that market testing is carried out and this had recently resulted in the numbers for the forthcoming photography exhibition being lowered. The meeting agreed that art exhibitions are simpler to promote than history exhibitions but Trustees were concerned whether the current level of spend on exhibition marketing is sufficient. The Director, Visitor Experience and Enterprises confirmed that marketing spend per head is a variable depending on the offer and its site. A watching brief was being maintained on this factor and findings will be brought back to Trustees in the future.

It was recognised that the variance between a visitor forecast, even that derived from market testing, and actuality may in fact be large but agreed that the Museum does not have an exhibitions programme for numbers alone. The meeting understood that the Museum looks for a five-year break even model for special exhibitions but agreed that more budget and science must go in to forecasting.

Trustees reminded the meeting that the *Cutty Sark* visitor budget estimates for 2017-18 were increased based on significant audience development plan work and marketing – which still had to be worked through. The Director, Visitor Experience and Enterprises reported that there are some immediate priorities to be put in place on *Cutty Sark* and that a broader audience plan will return to Trustees in the year.

With those points the Board of Trustees then **agreed** the 2017-18 budget.

7.2 Draft 2017-18 Divisional Business Plans

Following on from the budget discussions, Trustees **approved** the draft Divisional Business Plans for 2017-18.

Trustees also noted from the budget visitor figures for 2017-18, the on-going impact of: the travel difficulties at London Bridge, the many weekend closures of Greenwich station, and the Southern Rail problems - all of which were having a detrimental impact on visitation to Greenwich and the Museum.

8. Revised Management Agreement with DCMS

The Director spoke to the following most relevant points:

- The Museum Freedoms which were appended to the June 2014 version as a Pilot have now been written in to the Agreement itself – notably the power to borrow through voted loans and the freedom to invest non grant income.
- Single tender contracts. This new item took longest to resolve but work from the NMDC Finance Directors' group led to the improved position which the Director, Finance considers acceptable.

Trustees then **approved** the revised Management Agreement for signing by the Chairman and the Director as Accounting Officer.

The Director reported that the DCMS Chairs and Chief Executives meeting held on 26 January in the Queen's House had been well attended by Ministers and had been well received by all the visitors.

9. Catering Tender Report

The Director, Visitor Experience and Enterprises spoke to the report and drew Trustees attention to the significant capital investment and the entrepreneurial stance of the selected catering company.

The Board were especially pleased to note the positive change in the commission structure that had been achieved by the competitive process.

Trustees noted that while the Queen's House was not included in the tender this would be explored in the thinking for a pre-booked offer of afternoon tea.

Trustees requested that careful consideration be given to the requirements of dietary minorities to appeal to and cater for the diverse groups who visit, particularly amongst locals.

The Board then **noted** the Catering Tender Report and thanked all those who had been involved with the process for the promising outcome.

10. Disposal of Lease of Feathers Place

The Director, Operations and HR confirmed that Trustees have DCMS approval for this disposal of an interest in land and thanked Eric Reynolds for his advice and assistance.

Trustees **noted** and **approved** the recommendations made in the paper.

11. Collections

11.1 MoD Loan Transfer Update

Trustees were very pleased to note this update on the MoD loan transfer and that the Deed of Gift for Charitable Purposes would be completed by the end of March 2017.

With regard to the items that are on loan to other MOD and government properties, Trustees requested assurance at their next meeting on how security and other conditions would be monitored and met.

11.2 Sale of items

Trustees noted that all these items had been previously deaccessioned from the collection, with DCMS approval, on various grounds.

Trustees noted that the Museum team has made its best efforts to retain these items in the public domain. This having proved unsuccessful Trustees **agreed** that that public benefit is best served by obtaining the full market value for these items so that these funds can be fed directly back into the acquisitions budget for the benefit of the collection.

~Strategy Session~

12. Digital content strategy 2.0

The Director, Collections and Public Engagement gave Trustees a presentation on the digital content strategy 2.0 as the Museum goes into the realisation of Endeavour.

Trustees noted the background of the digital audit and that acting upon its agreed recommendations was resulting in the removal of the Compass Card system and the wave in Voyagers. It was also noted that the Great Map was very successful as an analogue experience – rather than its less used digital aspects.

Trustees understood that having learned a great deal from a range of “catalyst” projects, it is planned to make the Museum's collections and themes even more accessible to a wider range of users. The core attributes that will inform future thinking are:

1. Connecting and engaging with audiences;
2. Access - including different languages and disability access;
3. Layering and extension – providing rich detail to motivated users;
4. Unique approaches – delivered in innovative ways;
5. Cost effective – with greater flexibility to work across sites;

with a view to a seamless application of the strategy across all sites and that there should be no "risk" projects. It was confirmed that all projects will receive user testing before finalisation.

Trustees were grateful for an inspiring presentation and **commended** the strategy.

13. Brand Visual Identity Testing

The Director, Visitor Experience and Enterprises took Trustees through the report which demonstrated that the new logo had tested very successfully across a range of measures. The Board also noted that the overarching visual identity is much broader and that the logo itself will be combined with the use of epic imagery, immersive design, font and language to position our brand.

Trustees were grateful for and **noted** the report - though some remained unconvinced about the recognition of the collective name - and that the brand roll-out will start when *Emma* has finished.

14. Matters arising from information in Volume B

There were no matters arising from the information in Volume B of the papers.

15. Next Board Meeting

Thursday 27 April 2017 at 09:30.

Minutes approved by Sir Charles Dunstone, Chairman

Date