

THE TRUSTEES OF THE NATIONAL MARITIME MUSEUM

THREE HUNDRED AND FIFTY-SIXTH MEETING

09:30 THURSDAY 22 FEBRUARY 2018

IN THE BOARDROOM OF THE NATIONAL MARITIME MUSEUM

MINUTES

Trustees present:

Sir Charles Dunstone, Chairman
Eleanor Boddington
Joyce Bridges
Dr Aminul Hoque
Professor Chris Lintott
Carol Marlow
Jeremy Penn
Eric Reynolds
Gerald Russell
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
Kate Seeckts	Director, Development.
Christopher Gray	Museum Secretary

~Board Matters~

i. Trustees standing down in 2018

The Chairman reported that in the coming months the second terms of both Eleanor Boddington and Professor Chris Lintott would come to an end. Both would be greatly missed and the Board was keen to record its gratitude for each of their 8 years of voluntary service for the public benefit as Trustees of the National Maritime Museum.

ii. Progress on Trustee recruitment

The Chairman reported that the public advertisement for three new Trustees (with the skillsets of an academic, an astronomer, and a lawyer) had now gone live and that interviews are scheduled for 25 March.

~Governance Session~

1. Apologies

None

2. Declaration of relevant interests related to this meeting

None other than those previously registered.

Trustees noted that the Secretary would be updating the register of interests shortly to capture the position at March 2018.

3. Draft Minutes of Board meeting 355 of 23 November 2017

The Board **agreed** the minutes to be a true record of the meeting and the Chairman of the Board certified the minutes accordingly.

There were no matters arising that were not dealt with in the minutes.

4. Director's Report and updates for December to February 2017 and 2017-18 Q3 KPIs

The Director focussed on the following aspects of his report:

- the Board was pleased to hear of the Lloyds Register Contemporary Maritime Impacts Curator post which the Lloyds Register Foundation have agreed to fund (for 5 years) as a new curatorial post focussing on contemporary maritime matters.
- Trustees noted the industrial action that had taken place on 1 January and that the majority of the Museum had remained open for the public
- Trustees noted with great pleasure that *Cutty Sark* had won the 'Individual Attraction of the Year' 2017 award at the annual UKinbound 'Awards for Excellence' convention.

With regard to the negotiations over the London Power Tunnels Ventilation shaft at Kidbrooke and the advice the Museum had received through its agents, the compensation being offered was recommended to the Board by the Director as a good and fair settlement. The Board taking note of the advice received **agreed** to accept the offer and asked the Executive to proceed to the detail and finalise the agreement on that basis.

The Director then updated the Board on the potential major acquisition. The picture regarding the US bankruptcy proceedings remained in flux and was complex but the guidance and advice the Museum was receiving from its legal team on the matter was outstanding.

The Director stated that the legal advice received was that the time had now come to demonstrate the Museum's commitment and make a firm bid proposal. The Director reported that the team involved including stakeholders in Northern Ireland proposed a bid of \$15m, which would be non-binding and subject to raising the support, and sought the Board's agreement to that proposal.

Trustees were circulated copies of the collection inventory and the appraisal report. The Director stated that though there would be movement costs in addition to the bid price, the storage requirements would be covered by the space available at the Prince Philip Maritime Collections Centre. The Director also confirmed that there would be no risks to other projects from the acquisition as no programming had yet been planned and the fundraising drive would not be coming from the Museum.

The Board considered this acquisition would be a transformative opportunity, then **agreed** that the Director should proceed with the \$15m proposal – though without a binding commitment at this stage.

Trustees were grateful for and **noted** the Director's Report – both written and verbal. There were no matters arising.

5. Director of Finance Report

5.1 Finance Report at Q3 2017-18; cashflow at 12 February 2018; and Directors' expenses for Q3 2017-18

The Director, Finance reported on the Museum's management accounts for the first nine months, to the end of December, of the current financial year - performance being compared to the Q2 forecast.

Revenue

The Director, Finance reported that the overall revenue surplus is £1.5m compared to a budgeted surplus of £958k.

The Board noted that the total variance comprised a positive variance of £459k for the Museum and a positive variance of £51k for the Cutty Sark.

The Director, Finance highlighted some key variances in the reconciliation between the YTD forecast and the actual for the Museum:

- though retail figures are up 15% compared to last year and the Meridian shop is doing well, the NMM shops are below forecast because of fewer visitors, and book sales not doing as expected.
- Events have struggled through the winter, but are now up £82k over the original budget. Enquiries are up as a result of the digital marketing campaign.
- Donations – the Patrons and Members appeal for the Altazimuth has been very successful and raised £110k against an original target of £30k (this is accounted for under capital).
- Temporary Exhibitions expenditure is under forecast by £72k - £60k is a "permanent" underspend and is taken into account in the Q3 forecast.
- staff costs are over forecast by £69k - £40k of this is because of the increased provision for the mooted staff performance payment at the end of the Endeavour project
- of positive expenditure variances most of these are to do with timing but the few items of expenditure which will be pushed to the next financial year include £25k on the Endeavour Activity Plan, £14k on the National Historic Ships website, and £20k in marketing.

The variances for *Cutty Sark* are primarily:

- admissions income being £50k below forecast because of 8,000 fewer visitors than budgeted
- Events income is £57k below forecast – and the full year Q3 forecast reflects this
- the generous and most welcome donation from Michael Edwards for 2018-19 and 2019-20 has been accounted for to comply with FRS 102 so the amount will be in a restricted fund on the balance sheet at year-end
- on the expenditure side, the Museum had increased the maintenance expenditure forecast in Q2 to provide contingency for unplanned expenditure. This has not been needed and the £45k will be readjusted in the Q3 forecast.

Capital

The Director, Finance stated that on recurring expenditure the variance against the Q2 Forecast is £265k. £160k of this relates to the development of the audio guide for the Queen's House and works to the Astronomy shop which have now been deferred until next year.

Regarding non-Endeavour galleries expenditure, £260k of the £533k kindly granted by the Royal Museums Greenwich Foundation (and drawn down) will be deferred to 2018-19. This will be held on the balance sheet as a restricted fund.

Regarding the four Endeavour project galleries, there have been several significant changes to the cash flows provided by the fit-out contractors. The Museum now thinks that the underspend in this financial year will be approximately £400k.

Cashflow

The Director, Finance stated that the cashflow continues to be monitored weekly and that the expected dip before Christmas was managed over the period.

Trustees noted that the cash balance dips to about £0.95m in the third week of March from £1.96m the previous week – but this is after accounting for all payments in that week. It goes back up to £1.88m the following week.

Trustees were grateful for and **noted** the Finance Directors' report, the cashflow and the Directors' expenses.

5.2 Income update for the period to 31 January 2018

The Director, Finance tabled the income figures for the ten months of 2017-18 financial year. Total income is £21.1m including £11.5m of GIA. This is £131k more than the Q3 forecast.

For the same period last year, Non GIA income was £9.3M compared to £9.6m this year

It was reported that most of the individual variances are quite small but that the biggest variance is on Sponsorship – a variance of £70k which represents 50% of the amount invoiced to Insight Investment for the sponsorship of IAPY, the balance is accounted for in the staffing section under funding for posts. In the forecast the Museum was expecting to receive this towards the end of the year.

Trustees **noted** the income update.

5.3 2017-18 Forecast at Q3

The Director, Finance stated that the third and final forecast for the current financial year is based on the performance of the first nine months and other known changes. At Q2 the budgeted revenue surplus was £535k and the Q2 forecast was £227k. The Q3 overall operating surplus has changed to a surplus of 781. The main reason for this is the recognition of a multi-year grant of £404k from HLF for National Historic Ships.

Importantly, as *Cutty Sark* will have made a surplus of £128k after paying the notional management charge of £400k to the Museum, the revenue forecast shows that there will be £128k and not £150k to transfer to the *Cutty Sark* designated fund at year end.

Overall, the commercial and admissions income forecast reduces by £156k. The total commercial and admissions income for this year is forecast to be £9.3m. The Q2 forecast was £9.46m and the budget was £9.63m.

However, this year's Q3 forecast figure of £9.3m compares very well with last year's actual of £8.28m – an increase of £1.02m or 12.3%

In Fundraising, in addition to the HLF grant for NHS UK, there was a legacy of £66k and a donation of £50k from Michael Edwards for the *Cutty Sark* for 2018-19 and 2019-20. Corporate Memberships includes the amounts due from two new members – Saga and Lloyds of London

On the Expenditure side – There are savings on build costs for *GBBS* and *Death in the Ice*, preliminary costs of *Moonstruck*, a deferral of £10k IAPY costs to 2019/20

This paragraph redacted under Section 36 (2) (b) and (c) "Prejudice to the effective conduct of public affairs."

Capital

On recurring capital expenditure the Director, Finance reported that the £98k improvement was as a result of donations from Viridor (£50k) and

Heritage of London (£6k) towards the Altazimuth Pavilion and a deferral to 2018/19 of expenditure on the Cutty Sark and the Astronomy shop

On Galleries, the improvement of £292k is primarily because of the deferral of Enrichment expenditure to 2018/19 (which is funded by the Foundation)

On the Endeavour project the movement is due to the changes in the cash flows given to the Museum by the fit-out contractors.

The £1.5m grant from the Sackler Foundation has not been included in this forecast but is expected to be received before the year-end. However, the Director Finance had notified DCMS about it.

5.4 Strategic Risk Register as at January 2018

The Director, Finance confirmed that the register had been reviewed by the Senior Management Team, the Executive and then the Audit Committee earlier in the month.

Trustees noted and **approved** the Strategic Risk Register as at January 2018.

6. Endeavour project progress report

Trustees reviewed the report and were pleased to see that the very successful fundraising campaign was now complete; all of the racking (both new and re-used) was now installed at Kidbrooke; the collections move was well under way; the showcases were arriving and planning had started for the opening of the four new galleries on 19 September 2018.

Trustees then **noted** the report and the overall excellent progress of this very significant project for the Museum.

7. 2018-19 Financial Year

7.1 Draft 2018-19 Budget

The Director, Finance took the meeting through the draft budget as follows:

1. Summary

The Board were asked to note that the budget meets four key strategic objectives and that the Executive consider it realistic and achievable:

1. Provide an operating surplus of £703k to mitigate against in-year financial risks – that is before transfer of the £150k to the Cutty Sark designated Fund
2. Ensure that free admission to the national collection continues in 2018-19
3. Achieve the objectives in the divisional business plans for 2018-19
4. Ensure the completion of the Endeavour galleries

The Museum's Settlement Letter for the current Spending Review period asks us to ensure there is 5% "flexibility" in our budgets. This equates to £690k. Last year's budgeted surplus was £535k.

While cuts of 5% cannot be ruled out, reductions of about 1% or 2% are probably more realistic. For the Museum this equates to £138k and £276k respectively which can be covered from the budgeted surplus. Also in the past the budgeted surplus has been around the £500k mark. The Director, Finance stated that it is getting increasingly difficult to budget for surpluses at this level and higher but the Executive is optimistic about our commercial plans.

The operating surplus for the Museum is £493k AFTER the management recharge of £400k to the Cutty Sark and after access to reserves of £538k. The *Cutty Sark's* surplus is £210k after accessing reserves of £25k. This means that it will be possible to put at least another £150k from this surplus towards the *Cutty Sark* designated fund.

Trustees noted that at the moment for the *Cutty Sark* there is a RESTRICTED fund of £638k (which was amount transferred from the Cutty Sark Trust charity) and a further DESIGNATED fund of £300k to which will be added another £128k at the end of the 2017-18 financial year.

2 Revenue Grant in Aid - £13.8m

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

In real terms the Museum's Revenue GiA has declined significantly since 2009-10 by 34%

3 Revenue Budget summary

The Director, Finance stated that the net revenue budget (including temporary exhibitions) for the year is a surplus of £703k though there are some potential risks to the budget which are noted and quantified in section 6 of the budget paper.

Section 3.1 of the budget paper showed Trustees the movements from this year's forecast outturn. Commercial income increases by some £500k, and admissions income including special exhibitions £1m. The £589k reduction in Fundraising income is mainly because this year's forecast includes the £404k received from HLF for National Historic Ships.

Trustees noted that Special Exhibitions expenditure reduces by £575k because the costs of the GBBS have been incurred in 2017/18 and the costs of IAPY are not revenue but capital costs to do with the refurbishment of the old shop space.

Trustees also noted that staff costs increase by £1.1m. The reasons include the annual 2% increase; impact of a full year of National Living Wage; increase in costs of maternity cover; freelancers now being paid through the payroll (offset by a reduction of freelancer costs) and the impact of new posts in 2017-18 and 2018-19

4 Capital Budget summary

The overall Capital budget is a deficit of £3,141k. But this will be more than covered by access to reserves of £3,239k resulting in a small surplus of £98k to cover any unexpected capital works

Trustees noted the breakdown of the access to Reserves in the budget paper and what has been included under recurring operations and under Expenditure on galleries.

5 Reserves

The Director, Finance drew Trustees attention to the movements in reserves and the Royal Museums Greenwich Foundation's balances which were summarised in the budget paper.

At 31 March 2018, the Development reserve drops to £1.7m from the £2.2m at the start of the year. It then goes back up to £2.3m at the end of the Endeavour project in 2018/19. This assumes that Trustees will put back the extra £2m raised for the Endeavour Galleries back into reserves. The Development fund balance of £2.3m is in addition to the £2.5m held in General Funds as per the Reserves Policy.

Finally the Director Finance stated that he had previously taken the Chair of the Audit Committee through the budget who confirmed that he was content with the budget.

Trustees thanked the Director, Finance, the Finance team and those across the Museum that had constructed the budget.

Trustees then discussed with the Executive the assumptions about exhibitions income; visitor numbers at the charging sites; the increase in M&E maintenance costs; the new posts, totalling 28, recruited in 2017-18 and forecast in 2018-19.

The Board of Trustees then **agreed** the 2018-19 Budget as per the paper and the increase in the minimum hourly rate to £9.00 per hour.

The Director and the Director, Visitor Experience and Enterprises updated the Board on the slow progress with agreeing a coach drop-off for the *Cutty Sark* and informed Trustees that the travel industry was pessimistic about the future of coaches in London due to pollution.

The Director then put forward a proposal to the Board for the Museum to implement the London Living Wage – subject always to affordability and sustainability.

The Board of Trustees were then pleased to **agree** the Executive's proposal to implement the London Living Wage with the intention to achieve this over the next four years subject to affordability and sustainability. It was noted that this strategy will be funded by a combination of plans to increase income, and for cost efficiencies and structural changes. Trustees

considered that the clear communication to staff of this very positive step forward was crucial.

7.2 Draft 2018-19 Divisional Business Plans

The Director stated that the Divisional Business Plans need to be seen in conjunction with the 2018-19 budget since the plans outline the deliverables that the budgets support.

Trustees considered that the plans revealed interdependencies and divisional concerns which may be complex to manage and prioritise and that perhaps too much detail was being articulated.

In response the Director reported that the plans had been developed and discussed by the Executive in the round and that the detail helped express the specific activities and milestones that were being planned and which performance would be measured against.

The last page of this section is the target visitor numbers for 2018-19. They total 2,692k against the 2,587k target for 2017-18. The worksheet showed Trustees how the 2018-19 targets are derived from the 2017-18 forecast outturn.

With that the Board **approved** the draft Divisional Business Plans and target visitor numbers for 2018-19.

8. Recovery of Margetts' Astronomical Chronometer No. 311

The Director, Collections and Public Engagement spoke to the report. Trustees thanked those involved in pursuing the matter and the Board was content to note that the Margetts 311 was now accessioned into the Museum's Permanent Collection.

9. Potential disposals

The Director, Collections and Public Engagement stated that the ship's equipment and tools acquired from Museum of London in 2004 by the Cutty Sark Trust had no potential for display or research, were in poor condition and there is some duplication with material already by the NMM.

Also that the medical library collection from Greenwich Hospital and Melville Hospital, Chatham falls outside the Museum's Collection Development Policy and that public accessibility is best served elsewhere. It is intended that the library collection is offered to other museums, libraries and cultural heritage organisations via the Museums Association, CILIP, the Friends of National Libraries and/or the Historic Libraries Forum.

The Chair of the Collections and Research Committee stated that the paper had been taken by the Committee and that it had agreed the disposals should come forward to the Board.

The Board **agreed** to the recommendation that the material be deaccessioned from the collection of Cutty Sark Trust in line with the procedure 'Collection and non-collection disposal of items formerly held by Cutty Sark Trust' but agreed that useful items with a non-collection 'prop' status should be retained. The Board also **agreed** to offer the medical library to others in the sector.

10. Press and Media Policy; and Social Media Guidelines

Trustees reviewed the draft policies and requested alterations to be made to the Press and Media policy to: cover the special media role of the astronomers; include Trustees "when on Museum business" (not in their employed capacity); and to make sure that agreements with consultants and similar included reference to this policy.

With those changes incorporated the Press and Media Policy and the Social media Guidelines were **approved**.

~Strategy Session~

11. Discussion of progress on the Corporate Plan

The Director spoke to the paper reporting that the original seven themes have been restructured into a clearer and more accessible site-based approach. There is now a theme for each of the four sites and a fifth for elements of the corporate plan that are common to, or span across, all the sites. The all-important Commercial initiatives have now been allocated to each site to ensure integration and to pan-Museum improvements where they function across sites.

Trustees requested more visibility be given to the landscape scheme and the grounds strategy; the IT and digital elements (which underpin many of the plans) and learning programmes.

Trustees also wanted to ensure that the plan would be structured for stakeholders to assimilate and that the stakeholder value be clearly recognised throughout. Also that the increasing diversification of audiences is tackled by the offer reflecting the needs of these audiences.

The Board was pleased to note and agree to the primacy of the ROG theme but requested that the measurement of its performance needs targets that are not only numeric or financial but also qualitative and derived from mission and vision.

Finally Trustees noted that there did not seem to be an overall and unifying Vision for the emerging plan in the same way that the Endeavour project had informed the period now ending.

The Chairman stated that the Board would return to the plan at its next meeting in July. The Director said that, in the meantime, the directors were readily available for Trustees to speak to about the themes.

12. Cutty Sark long term maintenance plan

The Chair of the Cutty Sark Advisory Committee reported that the Committee had studied a long-term look at the ship's maintenance requirements.

The significant issue was the weather and poop decks (currently both composite structures) which would need replacing at some stage roughly a decade hence in 2026-27. It was recognised by the meeting that the level of expenditure required for this work will not be met by the current level of the ship's operating surplus of approx. £150k p.a. being designated to the Cutty Sark Preservation Fund.

The Director, Finance reported that he and the Director, Operations and HR were currently looking at the £400k annual management charge but that it was not expected to be hugely different when the calculation is updated.

The meeting also understood that the one-off sum shown for reinterpretation would in actuality be spread over some years.

However, the Director, Development stated that a strategy is currently being constructed for a significant fundraising programme to set up a future fund around the ship's 150th anniversary in 2019 and preliminary discussions with specific individuals had been well received. The strategy would come to the Board's meeting in July.

13. Matters arising from information in Volume B

Trustees were pleased to note that *Death in the Ice* was touring three North American venues and that the Museum would receive a fair percentage of income from the tour.

Following on from that, Trustees were pleased to see that the Museum was using special exhibitions as a vehicle for getting more of the collection into the public eye - and especially items which have not previously been on display.

14. Next Board Meeting

Thursday 26 April 2018 at 09:30 in the Boardroom.