

Presented pursuant to paragraph 8(7) of the Schedule to The Merseyside Museums and Galleries Order 1986 (SI 1986/226).

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# National Museums and Galleries on Merseyside Annual Report and Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 DECEMBER 2006

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# Annual Report

## Legal and Administrative Information

### Name of the Charity

National Museums & Galleries on Merseyside (NMGM). NMGM is an exempt charity by virtue of Schedule 2 to the Charities Act 1993.

On the 16 April 2003 the Board of Trustees adopted the operating name "National Museums Liverpool" (NML). Government reporting protocols require that the statutory name be used to identify the account on the cover and sheet headers. However, where possible the operating name or its abbreviated form has been used throughout the Annual Report and Financial Statements.

### Governing instrument and constitution of NML

NMGM was established as an incorporated Trustee Body by the Merseyside Museums and Galleries Order 1986 which was laid before Parliament on the 13 February 1986 by the Chancellor of the Duchy of Lancaster following a recommendation to Her Majesty in Council under section 46 of the Local Government Act 1986 (amended by the Museums and Galleries Act 1992).

NML is a Non Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS).

### Trustees

The Board of Trustees during the year comprised:

Loyd Grossman OBE, Chairman

Professor Drummond Bone

Sir Neil Cossons OBE

The Rt Hon the Earl of Derby DL (term expired 31 March 2006)

Jonathan Falkingham (appointed 22 May 2006)

Bryan Gray MBE

Professor Chris Green

Professor Margaret MacKeith CBE

G Barrie Marsh (term expired 31 March 2006)

Professor Sarah Palmer

Alexis Redmond

Professor Gordon McGregor Reid (stepped down 31 January 2006)

Gillian Reynolds MBE

Lorraine Rogers

Anil Ruia OBE JP (appointed 24 April 2006)

Councillor Mike Storey CBE (appointed 1 March 2005 – term expired 31 January 2006)

Professor John Tarn OBE (term expired 30 June 2006)

Eva Wisemark

Brian Wong

The Board of Trustees records its utmost thanks and appreciation for their valuable services to the Earl of Derby, G Barrie Marsh, Professor Gordon McGregor Reid, Councillor Mike Storey and Professor John Tarn OBE who have now retired from the Board. The Board would also like to welcome new appointees Anil Ruia and Jonathan Falkingham who joined the Board early in the reporting year 2006/07.

### Trustee Committees

The following Trustee committees met during the year:

Finance Committee, Chair – Alexis Redmond

Audit Committee, Chair – Professor Margaret MacKeith CBE

Capital Programme Committee, Chair – Professor John Tarn OBE

Development & Communications Committee, Chair – Gillian Reynolds MBE

Human Resources Committee, Chair – G Barrie Marsh

Development Trust, Chair – Gillian Reynolds MBE

Public Services Committee, Chair – Sir Neil Cossons OBE

Remuneration Committee, Chair – Loyd Grossman

### Register of Interests

A register of material interests disclosed by individual Trustees is available on request for inspection at the Principal Office along with minute book entries of disclosures made at Trustee meetings.

### Open Government

NML complied with the requirements of the *Freedom of Information Act 2000*. NML's publication scheme can be found at [www.liverpoolmuseums.org.uk/about/foia/ps\\_museuminfo.asp](http://www.liverpoolmuseums.org.uk/about/foia/ps_museuminfo.asp).

Copies of the proceedings of the Board of Trustees, subject to exemption where appropriate under the Freedom of Information Act 2000, are also available on our website (summaries in the case of meetings prior to 2004/05).

### Principal Office of NML

World Museum Liverpool (formerly Liverpool Museum)  
William Brown Street  
Liverpool  
L3 8EN

### Bankers

National Westminster Bank Plc  
PO Box 138  
22 Castle Street  
Liverpool  
L69 2BE

### Auditors

#### Consolidated Account

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

#### Trading Company

MacFarlane & Co  
Cunard Building  
Water Street  
Liverpool  
L3 1DS

### Solicitors

Halliwells  
100 Old Hall Street  
Liverpool  
L3 9TD  
(merged with Cuff Roberts)

Mace and Jones  
19 Water Street  
Liverpool  
L2 0RP  
– For employment law

E Rex Makin & Co  
Whitechapel  
Liverpool  
L1 1HQ  
– For compensation claims

## **Friends**

The Friends of National Museums Liverpool continue to make valuable contributions to our work.

In the last year a gift of £40,000 towards the major refurbishment of Sudley House was received.

Formed as an independent organisation, the Friends give their time as well as financial support, assisting visitors at the Walker Art Gallery and World Museum Liverpool and undertaking archival work at the Lady Lever Art Gallery.

Looking forward, the Friends will host in Liverpool the 2007 annual conference of the British Association of Friends of Museums.

## **Operating and Financial Review**

### **Operating Review**

#### ***Business Objectives and Strategy***

NML is one of a number of national museums sponsored by the DCMS; its activities impact upon several economic sectors, locally, regionally and nationally.

NML:

- preserves, interprets and exhibits its inherited and acquired cultural assets;
- creates, develops and delivers learning programmes;
- ensures that its museums and galleries are also popular cultural attractions;
- reaches out beyond the confines of its venues to wider social and cultural communities;
- plays its part in wider civic and national initiatives; and
- makes a contribution to the economic regeneration strategies of the city.

#### ***Structure, Governance and Management***

Trustees are appointed after consultation with the DCMS; the appointment process aims to ensure that appointees reflect a wide range of experience and expertise. Trustees are presented with an induction pack when appointed. Specific issue workshops and a new training programme were developed during the year.

Trustees monitor the risks facing NML by receiving reports on the risk register and consider specific risks identified within the papers submitted to Committees during the year.

At officer level the direction of NML is determined by:

- The Director and Accounting Officer, National Museums Liverpool,
- The Director of Development and Communications,
- The Director of the Museum of Liverpool Project,
- The Assistant Director of Public Services (Collections Management) and
- The Assistant Director of Public Services (Visitor Management).

There is an Executive Team which comprises the Directors, Assistant Directors, the Head of Finance, the Head of Human Resources and the Secretary to the Board.

The Executive Team reports to the Board of Trustees, and to other committees of trustees, in accordance with an annual committee cycle; where urgent business requires meetings outside of the meeting cycle these are arranged as required. The Director, David Fleming, attends each Trustee committee meeting.

There are two further strategic management levels below the Executive Team, namely, the Senior Management Team and the Strategy Forum.

There are eight public museums within the NML family. These are:

- World Museum Liverpool (formerly Liverpool Museum) – William Brown Street, Liverpool;
- Walker Art Gallery – William Brown Street, Liverpool;
- Merseyside Maritime Museum – Albert Dock, Liverpool;
- Customs & Excise National Museum – Albert Dock, Liverpool.
- Museum of Liverpool Life – Pier Head, Liverpool;
- National Conservation Centre – Whitechapel, Liverpool;
- Lady Lever Art Gallery – Port Sunlight Village, Bebington, Wirral; and
- Sudley House – Mossley Hill Road, Liverpool.

The Museum of Liverpool Life closed to the public on Sunday 4 June 2006.

### Vision and Beliefs

NML has formulated the following *Statement of Beliefs* which is widely promulgated.

- **NML has a responsibility to the whole of society.** Everyone, regardless of age, identity, ability or background, has a right to expect that we will be enjoyable and welcoming, providing routes to discovery, awareness and learning for all;
- **NML is committed to study, care for and enhance our world-class collections,** making them accessible to all;
- **NML is a creative, energetic and dynamic organisation** which must be managed imaginatively and effectively. We are prepared to identify and embrace opportunities, to experiment, take risks and use innovative approaches to achieve our aims;
- **NML must always be modern, radical and responsive.** We will build on our strengths, but we thrive on change. We believe in continuous assessment, transparency and openness, listening and reacting to our users, and in improvement of all that we do;
- **NML values teamwork and co-operation which is inherent in all that we do.** We will create a working environment where respect for different roles and talents is paramount, and all staff feel motivated, promoting quality, trust and integrity; and
- **NML grows stronger through partnerships** –, community, cultural, educational and business. We will build such relationships wherever they help us achieve our aims, while helping others achieve theirs.

### Management of human capital

NML places great importance upon the development of the potential within all staff and constantly seeks to enhance the skills and competencies the organisation needs to be successful. There has been continued significant investment in Management Development with some 200 managers having completed the programme by the end of June 2006.

NML recruits staff through fair and open competition, and is committed to selection on merit.

In 2005/06 a total of 111 appointments were made and of these:

- 60.0% were women;
- 0.00% were disabled people; and
- 11.0% were non-white British.

There were no instances where the “fair and open competition and selection on merit” procedures were by-passed.

### **Involvement of employees in the affairs, policy-making and performance of NML**

All staff are encouraged to become involved in the formation and delivery of policies and to contribute towards the assessment of performance effectiveness within NML.

NML formally recognises two trade unions: Prospect and the Public and Commercial Services Union.

The Trustees' deliberations and resolutions are disseminated through the Strategic Plan, Divisional and Departmental meetings and circulation of Board minutes. A newsletter is issued covering current events and activities.

The decisions of the Executive Team and specific working groups are communicated via an agreed briefing process.

### **Disabled Persons**

NML and its subsidiary trading company continued to apply established policies toward the employment, training and development of disabled persons. Staff are actively encouraged to become involved in the assessment of policies affecting the employment, training and personal development of people with disabilities, through NML's Diversity Working Group. NML will facilitate an occupational health and workplace assessment to consider any reasonable adjustments necessary to be able to perform the role for both job applicants and existing employees who have a disability.

Appropriate training is arranged for people with disabilities, including retraining for employees who become disabled, to promote career development within NML. A Disability Working Group actively reviews the requirements of the Disability Discrimination Act.

### **Investors in People**

NML originally received the prestigious Investors in People award in 1994 and then successfully retained this standard in its subsequent triennial re-assessments, in 1997, 2000, 2003 and May 2006. The standard has provided a framework within which staff are offered the training and development they require and NML's policies and procedures can be constantly reappraised. This award has added to the success, and also raised the profile, of the organisation as a whole. The standard continues to be an important measure of NML's commitment to, and success in, the training and development of its staff.

### **Staff Resource Strategy**

NML determines its manpower requirements and associated skill sets over the medium to longer-term through a Staff Resource Group led by members of the Executive Team.

NML is aware of the need to maximise efficiency whilst delivering improved performance and is continually assessing the manner in which business is delivered.

### **Volunteer Programme**

Over the year, the work of the organisation has been underpinned by the valuable contribution of over 260 volunteers, represented in almost all departments of NML, providing a wealth of experience and skills to draw upon. This is the equivalent of approx 32 full-time posts.

A notable achievement this year is volunteers playing an active part in facilitating front-of house activities and enhancing visitors' experiences, particularly with the opportunities that the opening of World Museum Liverpool provided. Over the year, thanks to our volunteers, we have been able to offer visitors an expansion of our exciting and varied activity programme. During the summer, a group of Liverpool University students built a replica Romano-British Roundhouse for the *Living with the Romans* exhibition at the Museum of Liverpool Life. Meanwhile the year also saw the launch at the Lady Lever Art Gallery of *ArtPresent* – our junior guide programme. As well as training 14-18 year olds to lead guided tours around the gallery, the accredited scheme offers our youngest volunteers the chance to gain an element of their bronze Duke of Edinburgh Award.

During the year we also hosted 110 work placements from organisations ranging from local schools to international students, building on the partnerships we have developed with a wide range of educational bodies.

We have spent considerable time this year implementing best practice policies and procedures within volunteer management and to ensure that we raise the profile of the work that our volunteers do.



## Health & Safety Policy

NML is committed to providing a safe and healthy working environment for all our employees, including those of the subsidiary trading company for whom this policy applies equally. So far as is reasonably practicable, systems and procedures will be implemented to ensure that all equipment, plant, substances and premises are safe and free from adverse effects to health. It is a key objective of this policy to ensure that employees, the public and others affected by our activities are exposed to the lowest reasonable level of risk.

The health and safety policy is reviewed every 12 months and the Health and Safety Officer plays a lead role in ensuring that Senior Management is kept informed of current and future legislation, that management systems are in place, and that adequate resources, financial or otherwise, are allocated to health and safety. Health and safety statistics and any underlying issues are reviewed on a regular basis by senior management and the Trustees.

## Performance

The Director and Trustees wish to acknowledge the contributions made by all of NML's staff during the year. Without the continuing commitment and dedication of staff at all levels the plans of NML would not be realisable.

## Collections

A busy year has seen:

the consolidation of the registration and photography specialisms within the Collections Management division;  
the continued development and use of the collections management software – Mimsy XG – through the capture of 31,000 urban history records, 900 human remains records and the contents of the Walker's new "Big Art" gallery;

the continuation of the Collections Management Training programme widened to include colleagues from the Atkinson Art Gallery Southport and the University of Liverpool;

the development of a number of research partnerships; and

the delivery of an extensive loans programme involving over 80 venues and institutions in the UK and abroad.

## Acquisitions

Significant acquisitions included:

a bedspread from John and Yoko's Montreal 'Bed-in-for-Peace' from 1969, John Lennon's brown suede jacket which he wore during the recording of 'With the Beatles' in 1963 and during the band's tour in 1964;

oral history recordings from the people of Liverpool relating to a number of themes, including the Liverpool docks, the Toxteth riots and the Liverpool club scene, and the acquisition of a Bayko model of the Empire State Building;

an iron meteorite was purchased, found at Campo del Cielo (or 'Field of the Sky'), Argentina, thought to have fallen over 4,000 years ago. A late 18th/early 19th century standing figure of Avalokiteshvara (Bodhisattva of Compassion), from Tibet and an *edan* – a pair of brass-bearded chief's heads on iron spikes; and

a gift of ten amphibian and reptile specimens collected in Ethiopia by the Scientific Exploration Society, in return for our help in identifying specimens that they had collected during their 2005 fieldtrip to the country.

Contemporary art was the main focus for this year for our art galleries and we were able to purchase an important early work, *The Viral Landscapes* (5 c-print photographs, 1988-9) by Helen Chadwick and the self-portrait *Ears* (drypoint on cloth) by the acclaimed American artist, Louise Bourgeois. The acquisition of both works received support from the National Art Collections Fund (NACF). In addition the Fund enabled us to acquire a number of decorative art objects such as a silver-gilt bowl by William Smith of Liverpool, (1887), a contemporary piece of silver, *Aqua Poesy XI* (2004) by Hiroshi Suzuki and a Poole pottery vase by John Adams, (c.1925).

Other works acquired by the Fine Art department have strong Liverpool associations. We were delighted to acquire our first piece by the Liverpool-born sculptor, Tony Cragg, *Plaster and Wood Table*. We were also very pleased to be bequeathed *Self Portrait, 1980* (oil on canvas) by local artist, Nicholas Horsfield, who sadly died last year.

Although additions to the Lady Lever Art Gallery's collection are rare, due to it being a closed collection, occasionally we will acquire an item if it has a close connection with Lord Leverhulme's collection. This year we

were able to purchase *Cymon and Iphigenia* (ink on paper, 1847) by John Everett Millais with assistance from Lord Leverhulme's Charitable Trust and the NACF. This previously unknown early drawing by Millais relates to the painting of the same name that now hangs in the Lady Lever Art Gallery.

Some important acquisitions were made relating to the subject of transatlantic slavery including a log book of the slaving vessel *Mampookata* that records two voyages (1786-1788) carrying enslaved Africans between the West Coast of Africa and the Caribbean. We also purchased three very rare black and white albumen prints of photographs taken on board the Confederate vessel, *Alabama* in 1863.

The Maritime History ship model collection was augmented when a model of the Liverpool-built four-masted barque, *Wanderer* (1891) was bequeathed on the death of the owner. Among other items, the department purchased a mother of pearl WWI souvenir pin badge produced during RMS Olympic's wartime service as a troop ship. We also purchased an ironstone side plate, possibly the only piece of ironstone still surviving from the first regular steam service across the Atlantic, produced for the British and American Steam Ship Company, c.1838-1841.

## Loans

In addition to acquiring new objects we have been busy loaning objects to over 80 venues and institutions in the UK and abroad.

The first complete touring exhibition drawn entirely from the collections: – taking the opportunity to display works while Sudley House is closed for building work, *Treasures from Sudley – A Liverpool Shipowner's Home* consists of over 20 paintings and is currently touring the country, having already visited the Judge's Lodgings, Lancaster, the Fine Art Society, London and the Williamson Art Gallery, Birkenhead.

David Hockney's well-known painting *Peter Getting Out of Nick's Pool*, was lent twice last year, first to Manchester City Art Gallery, then to the Museum of Fine Arts, Boston. The loan to Manchester was part of our collaboration with Manchester Art Gallery *Partners in Art*; in return the Walker Art Gallery hosted their early Hockney painting, *Peter C*.

*Horse Frightened by a Lion* by George Stubbs was lent to a major touring exhibition of the theme of *Stubbs and the Horse*, which was shown at the National Gallery, London and two venues in the USA.

World Museum Liverpool made a significant number of loans in support of research and educational purposes, with loans to the Natural History Museum in Paris, National Museums of Scotland and National Museums and Galleries of Wales and the Natural History Museum, London. Seven Egyptian items, including a pair of gold flies from the Antiquities collection, travelled around Germany last year as part of the exhibition, *Pharaoh is always Winning – War and Peace in Ancient Egypt*.

A ship model of Alsatian was loaned to the touring exhibition, *Life at Sea*, which travelled to Southampton, Bristol, Portsmouth and London last year. The continental speedboat, *Albatross*, was lent to the exhibition, *Flotilla 2006*, at the National Maritime Museum, Falmouth and a painting by Samuel Walters, *The Paddle Steamer Ethiope* of the West Coast of Africa, was loaned to the exhibition *The Cost of Sugar* at Whitby Museum.

Finally, the Museum of Liverpool Life lent Croxteth Hall, Liverpool a military uniform that had been owned by the original owner of Croxteth, Lord Sefton, for inclusion in their permanent displays.

## Exhibitions

Building on the success of last year, our venues presented an incredibly varied exhibition programme.

Exhibitions and activities during the year included:

- *Art Craziest Nation*, a work by John Cake and Darren Neave (aka The Little Artists) was displayed for the first time in a public gallery.
- *Age of Jazz*, opened by antiques expert and television personality Eric Knowles, was a comprehensive show of British Art Deco ceramics, from our own collections and from the leading private collectors in the field.
- *Terry O'Neill: Celebrity* showed portraits of famous names such as the Beatles and Audrey Hepburn, as well as modern day icons such as David Bowie. Supported by Deloitte.
- *Mongolian Buddhism* revealed an intimate portrayal of the everyday life of Mongolian Buddhists.
- *100 Languages of Children*, demonstrating the groundbreaking techniques used in pre-school educational centres of excellence in the Italian city of Reggio Emilia, featured artwork produced by Reggio children.

- *Eye for Colour* enabled visitors to World Museum Liverpool to experience the ever-changing domains of colour, where science meets art.
- *Face to Face*, featured 30 two metre high photographic portraits of orphaned gorillas, chimpanzees, orang-utans and bonobos by international artist James Mollinson.
- *Liverpool to New York* at the Merseyside Maritime Museum, 100% Cotton tells the incredible story of cotton and its impact on the history of Liverpool and the world.
- *Cruel Sea*, an exhibition that explored Merchant Navy veterans' memories.
- *Collecting the Beatles*, a special display of new acquisitions made possible thanks to the help of the Heritage Lottery Fund.
- *Living with the Romans*, the first ever exhibition to look at lives of local people living in the North West after the Roman invasion of Britain 2,000 years ago.
- the Lady Lever Art Gallery provided a varied programme including a new exhibition of contemporary sculpture by Pete Ellis. The show entitled *Pulling the Lever: Sculpture by Pete Ellis* responded to both the gallery's collections and personal events and memories from Ellis' own life.
- Leading Pre-Raphaelite artists were highlighted in an exquisite exhibition of drawings. This rare opportunity for visitors to view works, too delicate for permanent display, included artworks by Edward Burne Jones, William Holman Hunt, Dante Gabriel Rossetti and John Everett Millais in pencil, charcoal, chalk, ink and watercolour.
- During the year we were fortunate to secure the rare loan of Pablo Picasso's painting *A Woman Seated in an Armchair* from Nationalgalerie Berlin in exchange for the exceptional loan of the Lady Lever's *The Scapegoat* by Holman Hunt. The 1909 cubist portrait of Picasso's first great love, Fernande Olivier, was shown alongside *Sibylla Palmifera* by Dante Gabriel Rossetti.
- Celebrating the *Year of the Sea* (2005), the Lady Lever's summer exhibition *Beside the Seaside: the British Impressionists* consisted of 16 paintings from our collections, and other leading UK galleries including Tate Britain.
- *Making Sense* – an exhibition exploring issues surrounding brain injury was hosted in the Conservation Centre.
- *Wildlife Photographer of the Year* – all creatures great and small were featured in this exhibition at the Conservation Centre.

### Learning and Outreach

Learning is central to all we do at National Museums Liverpool and this year we have reached more people than ever before. Our lifelong learning programmes, resources and off-site activities have involved over one million people.

We continue to develop a unique learning experience throughout our eight venues with a core programme that connects with primary, secondary and special schools from across the region. Developing programmes for early years, young people, adult learners, communities and volunteers we strive to engender a feeling of cultural entitlement and aim to be a model of best practice across the region and nationally.

- Our Early Years activity has been driven forward by the development of the Children First Forum, a network of provision for teachers, carers, parents, young children and cultural providers, which is raising awareness of the significant role of creative practice in early years and museum settings for young children across the region.
- The development of *Big Art for Little Artists* at the Walker Art Gallery, was inspired by our Early Years audience.
- *Art Present*, a pioneering junior guide programme at Lady Lever Art Gallery, equipped local youngsters with skills such as presentation, communication and teamwork, fostering their interest and knowledge of art. The scheme was successfully launched in December when the group led tours for local primary children. The scheme, accredited as part of the bronze level of the Duke of Edinburgh Award, will be piloted over the next year at further venues including the Walker Art Gallery.

- Our formal education programme came into focus this year when Teachers TV filmed sessions at World Museum Liverpool and the Conservation Centre for their series *Using Museums & Galleries*, based on sessions we have developed for Key Stage 3 students on Ancient Egypt. The programme, aired throughout autumn, followed a group of students from Weatherhead High School studying Ancient Egypt as they learned about ritual and hieroglyphic messages at the venues.
- "My Visit" website, is an online resource that enables pupils and teachers to evaluate our learning programmes.
- *Picturing Physics*, is a project developed to explore the concepts raised in Conrad Shawcross' work in the exhibition *The Steady States* at the Walker Art Gallery.
- *Engaging Refugees and Asylum Seekers* project.
- We worked with the National Portrait Gallery to connect our Refugees and Asylum Seekers network with their community art project 'Self Portraits'.
- *Inspired by our Heroes*, a community exhibition sponsored by Liverpool Culture Company was developed to engage young people, older people, and culturally diverse groups to create artwork representing their ideas about their heroes.
- Among one of the most challenging events was the *Stealing History* debate on cultural property and repatriation. Part of *Black History Month*, the panel for the debate included museum professionals and black community representatives, covering a broad spectrum of opinions and views.
- The *Be a Learner for a Day* event saw us turn the tables on museum educators from across the country as we challenged them to see World Museum Liverpool with a fresh outlook.
- NML hosted a Girl Guides astronomy day, in association with sciZmic, the science discovery clubs network.
- The hugely popular *Penny Readings*, in partnership with the University of Liverpool, this year included readings from Charles Dickens stories with speakers Liverpool Echo journalist Joe Riley and BBC Radio Merseyside presenter Angela Heslop.

### Strategic Partnerships

Partnerships with other organisations such as museums and universities are vital to National Museums Liverpool to ensure we make a contribution to initiatives regionally, nationally and internationally.

- Our *Partners in Art* scheme with Manchester Art Gallery continued with exchanges of Hockney, Cezanne and Sickert paintings this year.
- We are playing a key role in developing the Youth & Migration project in partnership with the Norwegian Emigration Centre in Stavanger, non-EU Capital of Culture in 2008, and the Liverpool Culture Company.
- Engaging Refugees and Asylum Seekers:

Working in partnership with museums in Salford, Sunderland and Leicester, we have developed activities for refugees and asylum seekers to encourage them to feel confident in their new environment and develop their English language skills.

The project is part of the DCMS/DfES Strategic Commissioning programme, and is further supported by the Baring Foundation.

This project recently won the Skills for Community award 2005 from Learning North West, in recognition of our development for community resources and activities for refugees and asylum seekers on Merseyside. The judges cited our work as an outstanding example of collaboration between communities and the culture sector.

*Engaging Refugees and Asylum Seekers* was also one of three regional projects short-listed for the 'Big Difference Awards' under the Third Sector Enterprise category in 2005. The Big Difference Awards celebrate and reward the work of individuals and organisations who make a difference to their communities.

Since 2003 the project has engaged with 11,776 participants and developed over 600 activities – both outreach and in-reach. A range of resources have been produced including ESOL teaching materials, films, handling collections, multi-lingual literature and museum guides.

## ■ Understanding Slavery Initiative:

On a National level NML are the lead Museum on a project called Understanding Slavery Initiative (USI) which is funded through the DCMS/DfES Strategic Commissioning body.

Partners in the initiative are NML's Merseyside Maritime Museum, National Maritime Museum (NMM), Bristol Empire and Commonwealth Museum (BECM), Bristol City Museum and Art Gallery (BCMAG) and Hull City Museums Service (HCMS).

Key outcomes of this initiative include:

- the development of a Cd-rom called Understanding Slavery
- New learning sessions for schools, community groups and refugee and asylum seekers
- A new web-site was launched in June 2006 which will be a 'one stop shop' for teachers offering resources and guidance on how to teach the subject of transatlantic slavery at KS3 and KS4
- A community film project which interviewed people in each partner city about their feelings towards the slave trade.

Evaluation interviews were carried out with community workers and students who had participated in the USI project. Interviews explored how curriculum development activity can support community-building activities for young people.

Informal consultation has continued with schools and community contacts throughout the project by each of the five partners.

- We began working in partnership with the University of Liverpool to establish a joint Research Institute to explore issues surrounding transatlantic slavery, as part of our International Slavery Museum.
- We are also an active partner at a national level in Subject Specialist Networks, established by the Museums, Libraries & Archives Council. These include the Contemporary Collecting network with Tyne and Wear Museums, Birmingham Art Gallery and Museum, Bristol Museums and Museum of London; and the Himalayan Collections network with the V&A and National Museums Scotland. These networks provide a framework to enable museums to share skills and expertise, and to work together to make effective use of their collections for the benefit of audiences.
- In partnership with Manx National Heritage, we played host to the International Council of Museums (ICOM) International Committee for Regional Museums' annual UK conference.

## **Building Programme**

The Capital Programme of the Trustees currently under development and delivery includes:

- the construction and fit-out of a new Museum of Liverpool on NML's Mann Island site;
- the two-phase development of an International Slavery Museum at NML's Albert Dock site;
- the redevelopment of the National Museum of HM Revenue and Customs at NML's Albert Dock site;
- a programme of repair and refurbishment works at
  - the Conservation Centre
  - Sudley House and
  - the Lady Lever Art Gallery.

## **Fundraising**

We continued to attract support from a wide variety of sources receiving many gifts from trusts, foundations, the public sector and individuals.

Large grant payments, or pledges of grant assistance, were received from:

- the DCMS/Wolfson Museums and Galleries Improvement Fund for improvements at the Lady Lever Art Gallery;

- the Baring Foundation for NML's partnership project *Engaging Refugees and Asylum Seekers*;
- DCMS, through its Strategic Commissioning programme, continued to support NML's partnership project *Engaging Refugees and Asylum Seekers*;
- The Johnson Foundation for support towards education work at the Lady Lever Art Gallery, *Inspiring Learning for All*; and
- Loyd Grossman pledged £100,000 for the Museum of Liverpool.

Many other charitable trusts and foundations gave smaller donations.

We continued to attract generous support from local businesses and worked hard to extend our relationship with the business community. Fifteen companies were members of NML's corporate members scheme, Business2008 – Rathbones, Credit Suisse, David M Robinson Ltd; Austin-Smith: Lord; Tower Enterprises Funding Ltd; Hill Dickinson LLP; Mersey Waste Holdings; Brabners Chaffe Street LLP; Davis Langdon LLP; Mersey Docks & Harbour Company; Finch Advertising, Mitchell Charlesworth, Barbara A McVey, Chiron Vaccines and DLA Piper Rudick Gray Carey. Halliwells continued their support of NML as corporate partners and also sponsored the Stubbs exhibition. The Liverpool Culture Company pledged sums to Slavery Remembrance Day, the Ben Johnson project and the opening of World Museum Liverpool.

Support from individuals and groups continued with gifts from the Friends of National Museums Liverpool who continued their ongoing support with smaller donations to other projects either as a society or on an individual basis. A number of sizeable legacies were received and a new Patrons scheme attracted three members at £1,000 upwards.

Steps were taken during the year to establish a non-profit making organisation within the USA such that NML could benefit directly from tax deductible support offered by potential donors within the USA. The body would have corporate status within the USA and would be registered as tax exempt under section 501' (c) (3) of the American Internal Revenue Code. At the 31 March 2006 and at the date of account signature such a body had not been brought into existence.

Development funding for the new Museum of Liverpool came from the Northwest Development Agency. Development funding for the International Slavery Museum came from the Heritage Lottery Fund.

### **Development Trust**

The fundraising activities of NML continued to receive valuable support from members of the Development Trust Committee. Gillian Reynolds continued her tenure as Chairman with great success and the two Vice-Chairmen were equally successful, each hosting Trust meetings in their respective cities.

The membership of the Trust for 2005-2006 was:

His Grace The Duke of Westminster KG OBE TD DL (Patron)

Gillian Reynolds, MBE (Chairman to 31.03.06)

Neil Ashbridge (Vice Chairman, Liverpool based)

John Bodie, OBE (Vice Chairman, London based)

Sir Jack Baer

Marilyn Caron-Delion

The Countess of Derby\*\*

Paige deShong Earlam

The Rt Hon Baroness Hooper CMG

Norman A Kurland

Mark McNamee

Julian Rathbone

Lorraine Rogers

Niall Hobhouse

## Remuneration Report

The membership of the Remuneration Committee is comprised of the Chairs of the NML Committees. For the year ending 31 March 2006, these were:-

Finance Committee, Chair – Alexis Redmond

Audit Committee, Chair – Professor Margaret MacKeith CBE

Capital Programme Committee, Chair – Professor John Tarn OBE

Development & Communications Committee, Chair – Gillian Reynolds MBE

Human Resources Committee, Chair – G Barrie Marsh

Public Services Committee, Chair – Sir Neil Cossons OBE

Remuneration Committee, Chair – Loyd Grossman OBE

The role of the remuneration committee is: to determine the pay and conditions of the Director including annual performance awards and pay progression; to provide, through a panel selected by the chairmen; an appellant recourse in disciplinary and grievance cases concerning senior staff for whom the Director is the reporting officer; to keep governance arrangements, including the Committee structure and schemes of delegation, under review; and to act as a Nominations Committee for the appointment of trustees.

Staff are recruited to pay-bands graded for seniority and approved by the Trustees within the context of the pay remits negotiated with DCMS/ Treasury. Currently NML's multi-year pay remit period expires on 30 September 2006. The remuneration of senior managers for future years, with the exception of the Director, Dr David Fleming, is determined by the agreed pay remit.

There are nine pay-bands and all staff apart from Dr David Fleming, the Director and Accounting Officer, are covered by these. Recruitments to pay-band eight and above are approved by the Trustees.

The Director and Accounting Officer is covered by arrangements that are negotiated as part of a fixed-term contract; Dr David Fleming's service commenced on 1 October 2001 and is due to expire on 30 September 2006. Under the Fixed Term Employees (prevention of less favourable treatment) Regulations 2002 the Director's contract has been made permanent. Apart from this change in tenure, there have been no other changes to his pay, terms and conditions of employment.

In addition to the negotiated salary Dr Fleming can benefit from a performance-related bonus of up to 15% of his consolidated pay. Of this bonus an amount equivalent to the average pay award for all NML staff may be consolidated annually, the remaining entitlement being paid but not consolidated and non-pensionable.

The performance of Dr Fleming is assessed annually by the Trustees and a rate of bonus for the review-year is determined. The reporting period for this performance review is 1 April 2005 to 31 March 2006. In line with NML's pay year, any payments will be made from 1 October 2006.

The Director's performance objectives are determined by reference to three categories of performance:

- Personal contribution towards NML's corporate aims
- Quantifiable targets
- Qualitative targets

The Director's performance review took place on 4 July 2006. The Chairman's recommendations on the Director's performance for 2005-2006 will be submitted to the meeting of the Remuneration Committee on 5 September 2006. For the year 2005/06 Dr Fleming was awarded a bonus of £10,372. Of this amount a percentage equalling the average pay award for NML staff, will be consolidated into his basic pay. The remainder will be paid as a one-off non-consolidated payment. The account for 2005/06 contains a bonus payment made to Dr Fleming which relates to the year 2004/05.

Details of the Director's business interests are set out in note 19.

## Financial Review

### Account

The account is prepared in a form directed by the Secretary of State for Culture, Media and Sport, in accordance with Sections 8(1) to 8(8) of Schedule to the Merseyside Museums and Galleries Order 1986 and complies with the Charities Act 1993, the Charities (Accounts and Reports) regulations 1995 and the Statement of Recommended Practice: Accounting by Charities (SORP).

### Result

Net incoming resources, before transfers and revaluation of tangible fixed assets, for the year were £1,278,000. A revaluation of tangible fixed assets as at 31 March 2006 produced a revaluation surplus of £8,896,000, after adjustments for impairments of £3,003,000, resulting in a total increase in funds of £10,174,000.

Included within the above was a net increase in free funds of £404,000 before transfers to capital and designated funds of £726,000. The closing balance on free income funds was £3,930,000.

### Reserves Policy

The free income reserve amounted to £3,930,000 at 31 March 2006. The Trustees plan to ensure financial viability across a three-year revenue planning cycle. In respect of capital projects the associated planning cycles can be longer than the current three-year spending review periods necessitating an extended planning profile.

The policy is reviewed within the context of the ongoing dialogue with DCMS concerning the use of historic balances and the annual negotiation of End Year Flexibility entitlement.

### A new Museum of Liverpool

A grant facility of up to £6m has been made available by the Northwest Development Agency which allows the development costs associated with the creation of a new Museum of Liverpool to be covered.

Discussions have also taken place with British Waterways Board in respect of the construction of a canal across the same Mann Island site. If this project proceeds the conveyance of a number of interests in land would be necessitated.

At the 31 March 2006 expenditure of £5,031,000 had been made against this grant. This expenditure has been treated as assets in the course of construction.

### NML Into the Future (NMGMTF)

Financial completion of Into the Future was reached during the year and the accumulated ITF balance on Assets in the Course of Construction was transferred to a depreciating Fixtures and Fittings tangible fixed asset base after a revaluation adjustment of £3,003,000.

### Fixed Assets

NML continues to hold the proceeds from two asset disposals: -

- (1) £215,393 is held, as yet unapplied, in respect of 63/65 Blundell Street, Liverpool.
- (2) £385,000 is held, as yet unapplied, in respect of the disposal of NML's leasehold interest in storage facilities at Irwell Street, Liverpool.

Consent for the disposals was obtained from DCMS and the proceeds will be applied to capital projects going forward. These unapplied amounts form part of the Capital Reserve fund representation.

During the year NML's land holdings were reviewed by Drivers Jonas and revalued producing an increase in funds of £2,525,500. The cost / valuation of buildings was increased through the application of an indexed movement to gross values, excluding additions in the year. This upward movement increased funds by £9,373,000.

The indexation movement on other asset categories was such that no adjustment was required as they were not deemed to be material.



### **Trading Subsidiary**

NML wholly owns a subsidiary trading company, NML Trading Limited, which provides a range of catering, retail, conferencing and general support services.

The name of the company was changed from NMGM Enterprises Limited. The certificate of incorporation was given at Companies House on 7 June 2006.

The gross merchandising income and the associated revenue costs of the operation are shown within the consolidated Statement of Financial Activities as adjusted for group transactions. The assets and liabilities of the subsidiary trading company are combined with those of NML within the Balance Sheet. A summary of the results and net assets of NML Trading Ltd is shown at note 9 of the account.

During the year NML Trading Ltd produced profits of £21,000. £20,000 will be transferred to NML by way of a Gift Aid arrangement.

### **Customs & Excise National Museum**

In addition to the Grant-in-Aid (GiA) received from the DCMS, NML also receives GiA support from HM Revenue & Customs (HMRC). This arrangement is specifically related to the conservation, study and display of the national collection of HMRC. A summary of the HM Revenue & Customs Account is shown at note 15.

Also in the year a capital grant was agreed to fund the creation of a new Museum to replace the current one. £155,000 of this grant has been received of which £30,000 has been applied during the year.

### **Connected Charities**

Nine charitable trusts, whose legal existence pre-dates that of NMGM, are connected to NML's activities via a commonality of trusteeship and a close association of charitable purpose. The accounts of the trusts are not consolidated with that of NML. However, note 20 to the account contains a summary of the income and capital accounts of the connected charities for the year ended 31 March 2006.

### **Speke Hall**

An agreement entered into by Ministers in 1986 requires NML to make annual GiA payments to the National Trust towards the upkeep of Speke Hall until 2015. The level of this grant is agreed annually between NML and the National Trust and for the year ended 31 March 2006 the GiA was settled at £162,000. All of this was paid during the year. The grant is associated with the revenue activities of Speke Hall and is not capital in nature.

### **Prescot Museum**

NML makes an annual payment of grant to Knowsley Borough Council. The settlement is negotiated annually. The payment relates to the running costs of Prescot Museum which houses most of NML's horology collections. The collections are held under a Trust Document. The level of support for 2005-2006 was £71,000 none of which had been paid during the year. By mutual assent, this agreement is to be terminated from 1 April 2007.

### **Gower Street Estates**

NML is a member of Gower Street Estates Limited (GSEL) a company formed to manage those areas within the Albert Dock formerly managed by the Merseyside Development Corporation which ceased to exist as a body on 31 March 1998. The company is limited by guarantee and is non-profit making. The activities of the company are covered by a service charge levied on members which is calculated after taking into consideration any earned income. The service charge applicable to NML for 2005-2006 is referred to in note 16.

NML has the right to nominate a director for election to the Board of GSEL and during 2005-2006 the Head of Projects, J Hendry, served as a Director.

### **Prompt Payment of Creditors**

NML is aware of the importance of paying suppliers promptly and takes every step to ensure that payments to creditors are made as quickly as possible. In 2005-2006, 86% (2004-2005 – 93.5%) of NML's creditors were paid within 30 days of the invoice date.

NML is committed to the full implementation of the Better Payment Practice Code. There were no payments of statutory interest under the Late Payments of Commercial Debts (Interest) Act 1998 during the year.

### **Audit**

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2005/06. The audit fee in respect of this work was £37,000.

*DR DAVID FLEMING OBE*  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
22 November 2006

*LOYD GROSSMAN OBE*  
Chairman of Trustees  
22 November 2006

**Annex to the Annual Report for the year ended 31 March 2006****KEY PERFORMANCE INDICATORS – 2006 OUTTURN**

<b>Performance Indicator</b>	<b>2003-04 Actual</b>	<b>2004-05 Actual</b>	<b>2005-06 Targets</b>	<b>2005-06 Actual</b>	<b>2006-07 Targets</b>
(DCMS Core targets are shaded)					
Number of total visits	1,525,520	1,537,590	1,500,000	1,608,133	1,400,000
Number of adult visits	1,154,600	1,137,463	900,000	1,193,894	1,036,000
Number of child visits	370,920	400,127	600,000	414,239	364,000
Number of visits aged 60 and over	366,125	399,773	279,000	273,383	238,000
Number of overseas visits	106,786	107,631	105,000	160,813	140,000
Number of repeat visits	579,698	584,284	675,000	755,823	658,000
% of UK visitors from ethnic minorities	4	2	4	3	3
% of UK visitors aged 16 and over from an ethnic minority background				3	3
% of UK visitors from socio-economic categories C2, D & E	29	30		25	25
New in 06/07: % of UK adult visitors aged 16 and over from lower socio-economic groups (NS-SEC groups 5-8)					20
Number of C2DE visits required to achieve an 8% increase by 2005-06 on the 2002-03 baseline	442,401	461,277	463,000	80,275	132,300
Number of adults and 16 and over from lower socio-economic groups attending the Museum (NS-SEC groups 5-8)			390,000	322,351	378,000
% of visitors who thought the museum/gallery overall was good/very good	97	97	97	81	81
Number of learners in onsite educational programmes	111,662	188,000	206,000	469,804	448,000
Number of learners in educational outreach programmes	5,001	8,270	9,000	9,995	11,000
Numbers of children in on and off- site organised educational sessions	93,981	135,000	149,000	302,852	308,000
Number of web-site visits	888,169	2,180,337		4,339,588	6,000,000
New in 03/04: No of unique website visits			1,960,000	2,500,000	
Number of venues in England loaned objects from the collection	65	49	75	77	75
% of collection stored in correct environmental conditions	87	85	-	-	-
% of collection internet accessible	28.3	-	-	-	-
% of time open	57	57	57	57	57
Grant-in-aid per visit	£11.36	£11.27	£12.10	£11.29	£14.97
Grant-in-aid per user				£5.07	£5.36
Revenue generated from sponsorship and donations per visit	*£1.06	*£3.13	£0.53	£1.11	£2.47
Non grant income per visitor	*£0.78	*£1.12		£0.87	£0.64
Net income from trading (including corporate hire)	£140,000	£94,000	£184,000	£20,000	£60,000
Efficiency Savings			£248,900	£1,228,000	£1,273,000
Average days lost sick per employee (excluding long term sickness)	4.4	4.2	4.2	4.2	-

**EXPLANATORY NOTES**

\* The outturns for 2003/2004 and 2004/2005 have been amended to reflect a more efficient means of calculating the key performance indicator results.

## Statement of Trustees and Director's responsibilities For the year ended 31 March 2006

Under paragraph 8(2) of the Schedule to the Merseyside Museums and Galleries Order 1986 the Board of Trustees of the National Museums & Galleries on Merseyside is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The account is prepared to show a true and fair view of the National Museums Liverpool's financial activities during the year and of its financial position at the end of the year.

In preparing the accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of State<sup>1</sup>, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the account on the going concern basis, unless it is inappropriate to presume that NML will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director of the National Museums Liverpool as the Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the auditors are aware of that information.

*DR DAVID FLEMING OBE*  
Director and Accounting Officer,  
National Museums & Galleries on Merseyside  
22 November 2006

*LOYD GROSSMAN OBE*  
Chairman of Trustees  
22 November 2006

<sup>1</sup> a copy of which is available from: The Director's Office, World Museum Liverpool (formerly Liverpool Museum), William Brown Street, Liverpool, L3 8EN.

## Statement on Internal Control within NMGM For the year ended 31 March 2006

### 1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of National Museums Liverpool's (NML's) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting<sup>1</sup>.

As Chairman of the Board of Trustees, I have delegated responsibility from the Board of Trustees for satisfying myself and the Board that such a sound system of internal control is maintained within NML.

NML is a NDPB sponsored by the DCMS and funded from Grant-in-Aid. The level of Grant-in-Aid is allocated on the basis of the Funding Agreement developed jointly between NML and DCMS and is administered under the terms of a Management Statement and Financial Memorandum to which both parties are signatory.

NML applies a set of core aims and beliefs that incorporate or take cognisance of Government and Departmental objectives as laid out in the Public Service Agreement (PSA) for DCMS. These government objectives are integrated with NML's own corporate objectives as defined in the three-year Corporate Plan, the Annual Business Plan and the three-year Funding Agreement and Management Statement and Financial Memorandum (MS & FM). To deliver the products desired and specified in these agreements, NML has a management team structure that:

- is empowered by NML's Trustees through a scheme of delegation;
- is well defined and whose roles, responsibilities and accountability is communicated appropriately;
- operates a risk-based management approach;
- clearly defines roles and responsibilities and allocates accountabilities for the identification and management of risk; and
- aims to foster close and flexible working arrangements at all levels in the organisation.

### 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NML's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NML for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

NML's management team is structured to ensure that key services and obligations are delivered in the most effective and efficient manner. The management team structure comprises three tiers of management:

- The Executive Team (ET) who provide strategic direction of the organisation's activities and comprise the Accounting Officer, a Project Director for the Museum of Liverpool, a Director of Development and Communications, an Assistant Director of Public Services (Collections Management), an Assistant Director of Public Services (Visitor Management), a Head of Human Resources, a Head of Finance and a Secretary to the Board;
- The Senior Management Team (SMT), responsible for the implementation of policies to achieve core aims, beliefs and operational objectives comprising the Executive Team and nine Heads of Divisions; and
- The Strategy Forum, comprising the ET, SMT and Departmental Heads tasked with the delivery of corporate aims, beliefs and objectives whilst managing and containing the organisation's risks at an acceptable level.

<sup>1</sup> In NML responsibility for risk management is shared by the Board and the Accounting Officer, therefore the SIC is signed jointly by the Accounting Officer and the Chair of the Board. Some NDPBs may be required to do this under other provisions by which they are governed. For example, the Charities Statement of Recommended Practice (SORP) 2005 requires the trustees of charitable bodies to be jointly responsible for the preparation of accounts and annual reports. Consequently, for charitable NDPBs one or more of the trustees should sign the annual report, the balance sheet and the SIC along with the Accounting Officer.

NML has a well-defined Committee structure to ensure close conformity with best governance practice. This allows the institution to make best use of Trustees' expertise in areas where they can offer greatest experience and knowledge and introduces external non-executive members to enhance further the objectivity of the Committees in line with the Sharman recommendations. Committees are also structured to mirror the principal activities associated with the Directorates and Divisions represented on the Executive Team.

The Strategy Forum provides an organisation-wide focus group for the identification and allocation of responsibility and accountability across a spectrum of diverse activities. Members of the Strategy Forum at all levels have undergone training or awareness raising in the form of facilitated workshops to identify and record the risks or dedicated risk management training. Managers in the Strategy Forum understand that it is their responsibility to manage and contain NML's risks at a level that is acceptable to their senior management and the Trustees.

As part of the commitment to continuous improvement in all of its activities, NML's management development programme has been rolled out to a third tranche of more junior managers across the whole organisation. This programme has now reached around 150 managers in NML and has helped to provide a management structure that is more robust because it has shared experience and a common base of understanding.

### 3 Capacity to handle risk

During 2005/06 the Executive Team has maintained or put in place:

- an effective management team, integrated at many levels, vertically and horizontally, across the whole organisation, which meets to consider the plans and strategic direction of NML and the associated risks for the institution;
- a clear statement of its vision and beliefs to underpin all of NML's obligations and aspirations, including specific reference to an intention to adopt innovative ways of delivering our services;
- a suite of Trustee Committees linked closely to operational areas of responsibility and specifically an Internal Audit Committee which reports to the Board of Trustees regarding internal control and risk associated issues across all areas of activity;
- mechanisms to receive regular and independent reports by the Head of Internal Audit in accordance with the Government Internal Audit Standards (GIAS) including an opinion on the adequacy and effectiveness of NML's system of internal control in containing risk at an acceptable level together with recommendations for improvement where required;
- the principle of managers who are specifically responsible for the management of risks in their areas of expertise and responsibility as part of a risk-based management regime;
- a risk register, covering corporate risks based on the identification and assessment of NML's managers and separate risk registers for major capital projects that are compliant with OGC Gateway specifications;
- key performance and risk indicators;
- the provision of statements on the adequacy and effectiveness of risk management from the Accounting Officer's colleagues on the ET, tailored specifically to their areas of responsibility;
- the principle of determining corporate priorities using appropriate objective methodologies as required including strategic planning seminars/workshops with SMT and the Strategy Forum;
- a strategic planning process based on Directorates, which links priorities to resource availability in the form of funding and people; and
- a high level review of NML's governance arrangements to determine whether they are compliant with statutory and regulatory requirements and which form the basis for an ongoing review and overhaul of existing arrangements to ensure relevance and effectiveness.

### 4 The risk and control framework

The management of risk within NML continues to be embedded in the fabric of the organisation's structure, and during 2005/06 significant progress was made to increase awareness across the whole of NML and to encourage staff to apply the principles of good risk management. To this end the Executive Team has:

- provided workshops and awareness raising sessions for managers as part of the ongoing management development programme;

- adopted the Treasury's own "Orange Book" and "Orange Booklet for NDPBs" as NML's principal guidance on risk management and has made this available to all staff in an electronic version;
- made provision for other supporting guidance to be made available in an electronic form on the IT network including its suite of Financial Control Guidance Notes;
- agreed to the adoption of a computerised risk register – the IWM's Risk Track application which has now been installed and will be operational during 2006/07;
- ensured that rigorous risk assessments are carried out by the responsible officers within the management team to provide the best conditions for the optimum physical health, safety and security of our staff and visitors;
- applied sensitivity analyses when developing activities which interact with our public; and
- introduced training for all staff to ensure that NML is an organisation that recognises and accommodates diversity in accordance with DCMS objectives.

## 5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NML who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

NML has a dedicated **Internal Audit Committee** in line with the recommendations of the Sharman Report. This Committee meets at least three times a year and the Chairman reports to the full Board of Trustees. The inclusion of external members who are neither Officers nor Trustees of the institution has served to strengthen the membership.

NML has its own **Internal Audit Unit**, which provides a consultative service to the Accounting Officer and operational managers on control related issues. The Unit continuously reviews the methodologies it applies to ensure that its service is the most beneficial to the organisation and contributes effectively to the corporate risk based management approach. The Unit monitors and provides advice and assurance on:

- managers' risk management strategies and measures, proposed and in place, to ensure that their assurances to the Accounting Officer are reliable and supportable;
- the adequacy and effectiveness of internal control systems and the overall control environment in NML; and
- arrangements, proposed and in place, to ensure adequate and effective compliance with the requirements of NML's own internal policies and objectives and the external requirements contained in the MS & FM.

The Internal Audit Unit has undergone an independent peer review to determine the adequacy of its compliance with Government Internal Audit Standards. The outcome of the review demonstrated that the Unit met the necessary standards and was 'largely compliant' in line with DCMS's definition of compliance. Internal Audit has also during the year integrated its operations more closely into a new governance structure which is currently under development following on from the review noted earlier.

Internal Audit, in line with a risk-based philosophy, provides a consultative service for the management team and during the year has carried out or begun reviews of:

- NML's Governance arrangements;
- collections management in NML and specifically in conjunction with the Registrar's Department, the inventory of specific collections and objects; and
- visitor services and in particular assessments of NML's venues in conjunction with NML Learning staff.

In line with its primary objective of providing a positive assurance to the Accounting Officer, Internal Audit also carried out reviews and activities associated with:

- the adequacy and effectiveness of financial control – also in support of the NAO's annual audit of NML's final account;

- the completion of the NML "Into the Future" project; and
- an assessment of the state of implementation of NML's risk-based management approach.

NML does not have a **Risk Committee** as such but the Directors, the Heads of Finance and Human Resources and the Secretary to the Board perform this function. With the adoption of a new risk register and the capability to report risks in a number of different ways it may become necessary to introduce a risk committee during the coming year. ET will review this requirement and act upon their decision before 31 March 2007.

During the year, activities associated with NML's capital projects programme increased as uncertainties regarding funding were resolved. NML continues to utilise the services of external consultants where internal expertise associated with the programme of capital projects is inadequate. Consultancy provided included the following projects:

- Museum of Liverpool;
- International Slavery Museum; and
- Continuing development at NML's other sites.

In the year, two of the capital projects in the programme were completed, with the venues opening to the public early in the 2006/07 year. This materially reduces the content of the capital projects programme and thereby helps to mitigate the risks associated with an ambitious programme of redevelopment.

## 6 Significant internal control problems

There are no significant internal control issues that require further or additional action beyond that already outlined in the previous sections of this Statement of Internal Control.

*DR DAVID FLEMING OBE*  
Director and Accounting Officer,  
National Museums & Galleries on Merseyside  
22 November 2006

*LOYD GROSSMAN OBE*  
Chairman of Trustees  
22 November 2006



## **Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of National Museums and Galleries on Merseyside and the group for the year ended 31 March 2006 under the Merseyside Museums and Galleries Order 1986. These comprise the Statement of Financial Activities, the Income and Expenditure Account, the Consolidated and Museum Balance Sheets, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

The Board of Trustees, and the Director, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliamentary grant ("Grant in Aid"). These responsibilities are set out in the Statement of the Board of Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, with the consent of the Treasury. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if National Museums and Galleries on Merseyside or the group have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 24 to 28 reflects National Museums and Galleries on Merseyside's and the group's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of National Museums and Galleries on Merseyside's and the group's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the Financial Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to National Museums and Galleries on Merseyside's and the group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, of the state of the affairs of National Museums and Galleries on Merseyside and of the group as at 31 March 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

12 December 2006

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Consolidated Statement of Financial Activities

### For the year ended 31 March 2006

	Notes	Unrestricted funds £000	Restricted funds £000	<b>Total 2006 £000</b>	Total 2005 £000 Restated
<b>Incoming resources</b>					
Grant-in-aid – DCMS	2	18,155	0	<b>18,155</b>	17,333
Grant-in-aid – HMRC	2	0	490	<b>490</b>	323
Incoming resources from generated funds:					
Grants and donations		26	6,883	<b>6,909</b>	8,065
Legacies		0	50	<b>50</b>	0
Gifts	6	0	268	<b>268</b>	1,594
Merchandising income of subsidiary company	9	1,702	0	<b>1,702</b>	1,698
Investment Income	7	203	42	<b>245</b>	232
Incoming resources from charitable activities		1,296	0	<b>1,296</b>	1,000
<b>Total incoming resources</b>		<u>21,382</u>	<u>7,733</u>	<b><u>29,115</u></b>	<u>30,245</u>
<b>Resources expended</b>					
Costs of generating funds;					
Fundraising costs		401	0	<b>401</b>	301
Costs of subsidiary company merchandising	9	1,891	0	<b>1,891</b>	1,808
Charitable activities;					
Operating expenditure		19,300	5,082	<b>24,382</b>	20,213
Grants to third parties		233	0	<b>233</b>	240
Activities of charity staff		706	0	<b>706</b>	490
Governance costs		224	0	<b>224</b>	191
<b>Total resources expended</b>	4	<u>22,755</u>	<u>5,082</u>	<b><u>27,837</u></b>	<u>23,243</u>
<b>Net incoming resources before notional costs and transfers between funds</b>					
	3	-1,373	2,651	<b>1,278</b>	7,002
Notional cost of capital	1(j)	-3,692	-136	<b>-3,828</b>	-3,592
Transfers between funds		0	0	<b>0</b>	0
<b>Net (outgoing)/incoming resources after notional costs and transfers between funds</b>					
		-5,065	2,515	<b>-2,550</b>	3,410
Reversal of notional cost of capital		3,692	136	<b>3,828</b>	3,592
<b>Net incoming resources</b>		-1,373	2,651	<b>1,278</b>	7,002
<b>Movement on assets:</b>					
<b>Revaluation of tangible fixed assets</b>	6	<u>7,736</u>	<u>1,160</u>	<b><u>8,896</u></b>	<u>11,008</u>
Net movement in funds		<u>6,363</u>	<u>3,811</u>	<b><u>10,174</u></b>	<u>18,010</u>
Fund balances brought forward at 1 April		102,329	66,509	<b>168,838</b>	150,828
Fund balances carried forward at 31 March	13	<u>108,692</u>	<u>70,320</u>	<b><u>179,012</u></b>	<u>168,838</u>

All of NML's operations relate to continuing activities. There are no recognised gains and losses other than those shown above.

The notes on pages 30 to 53 form part of these accounts.

## Consolidated Summary Income and Expenditure Account

### Unrestricted Free Income Funds for the year ended 31 March 2006

	<b>2006</b>	2005
	<b>£000</b>	£000
<b>Incoming resources</b>		
Grant-in-aid	<b>17,380</b>	16,876
Other Grants and Donations	<b>26</b>	26
<i>Activities to generate funds:</i>		
Activities of charity staff	<b>1,296</b>	1,000
Merchandising Income of subsidiary company	<b>1,702</b>	1,698
Investment Income	<b>203</b>	193
<b>Total incoming resources</b>	<b>20,607</b>	19,793
<b>Resources expended</b>		
<b>Costs of activities in furtherance of the objects of the charity:</b>		
Operating expenditure (excluding depreciation)	<b>16,748</b>	15,492
Grants to Third Parties	<b>233</b>	240
<i>Activities to generate funds:</i>		
Activities of charity staff	<b>706</b>	490
Costs of subsidiary company merchandising	<b>1,891</b>	1,808
Fundraising costs	<b>401</b>	301
Governance costs	<b>224</b>	191
<b>Total resources expended</b>	<b>20,203</b>	18,522
<b>Surplus on free income funds before transfers between funds</b>	<b>404</b>	1,271
<b>Transfers to designated funds</b>	<b>-726</b>	-694
Surplus/(Deficit) on free income funds for the year	<b>-322</b>	577
Balance brought forward at 1 April	<b>4,252</b>	3,675
Balance carried forward at 31 March	<b>3,930</b>	4,252
The balance on free income funds comprised:	<b>2006</b>	2005
	<b>£000</b>	£000
Collection purchase fund	<b>221</b>	253
C & E admissions	<b>111</b>	101
Academic Publications	<b>114</b>	114
General funds	<b>3,484</b>	3,784
Balance at 31 March	<b>3,930</b>	4,252

The notes on pages 30 to 53 form part of these accounts.

## Consolidated Balance Sheet

### As at 31 March 2006

	Notes	2006 £000	2005 £000
<b>Fixed Assets</b>			Restated
Tangible Assets	6	<b>165,197</b>	155,131
Heritage Assets		<b>7,160</b>	6,569
		<b>172,357</b>	161,700
<b>Current Assets:</b>			
Stock – goods for re-sale		<b>242</b>	222
Debtors	10	<b>3,242</b>	4,467
Cash at bank and in hand	18	<b>6,709</b>	6,265
		<b>10,193</b>	10,954
<b>Creditors: amounts falling due within one year</b>	11	<b>-3,538</b>	-3,816
<b>Net current assets</b>		<b>6,655</b>	7,138
<b>Net assets</b>		<b>179,012</b>	168,838
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds	13	<b>70,320</b>	66,509
Unrestricted funds			
Designated funds	13	<b>105,208</b>	98,545
General funds	13	<b>3,484</b>	3,784
<b>Total funds</b>		<b>179,012</b>	168,838

*The notes on pages 30 to 53 form part of these accounts.*

DR DAVID FLEMING OBE  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
22 November 2006

MR LOYD GROSSMAN OBE  
Chairman of Trustees

22 November 2006

## Museum Balance Sheet

### As at 31 March 2006

	Notes	2006 £000	2005 £000 Restated
<b>Fixed Assets</b>			
Tangible assets	6	165,095	155,011
Heritage assets		7,160	6,569
Investment in NML Trading Limited	9	380	380
		<u>172,635</u>	<u>161,960</u>
<b>Current assets:</b>			
Stock – goods for re-sale		23	24
Debtors	10	3,247	4,563
Cash at bank and in hand		6,413	5,931
		<u>9,683</u>	<u>10,518</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>-3,325</u>	<u>-3,659</u>
<b>Net current assets</b>		<u>6,358</u>	<u>6,859</u>
<b>Net assets</b>		<u>178,993</u>	<u>168,819</u>
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds		70,320	66,509
Unrestricted funds:			
Designated funds		105,208	98,545
General funds		3,465	3,765
		<u>178,993</u>	<u>168,819</u>
<b>Total funds</b>		<u>178,993</u>	<u>168,819</u>

The notes on pages 30 to 53 form part of these accounts.

DR DAVID FLEMING OBE  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
22 November 2006

MR LOYD GROSSMAN OBE  
Chairman of Trustees

22 November 2006

## Consolidated Cash Flow Statement

### For the year ended 31 March 2006

	Notes	<b>2006</b> <b>£000</b>	2005 £000
Net cash inflow from operating activities	18	<b>8,401</b>	7,487
Returns on investments and servicing of finance:			
Interest received		<b>245</b>	232
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<b><u>-8,202</u></b>	<u>-7,527</u>
Increase in cash in the year		<b><u>444</u></b>	<u>192</u>

*The notes on pages 30 to 53 form part of these accounts.*

## Notes forming part of the financial statements for the year ended 31 March 2005

### 1 Accounting Policies

#### a) Basis of accounting

The financial statements have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with Sections 8(1) and 8(8) of the Schedule to the Merseyside Museums and Galleries Order 1986 and in accordance with:

- a. Financial Reporting Manual (FRM);
- b. other guidance which Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
- c. any other specific disclosures required by the Secretary of State; and
- d. the provisions of the Charities SORP 2005.

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings. They have also been prepared in accordance with applicable accounting standards and generally accepted accounting practice in the United Kingdom.

Consolidated financial statements have been prepared for NML and its subsidiary company NML Trading Limited. In addition a separate balance sheet has been prepared for NML alone.

The income and expenditure lines of the Profit & Loss account of the subsidiary trading company are taken to the consolidated Statement of Financial Activities (SOFA). The SOFA, adjusted for intra-group transactions, and the Balance Sheets of NML and NML Trading are consolidated on a line-by-line basis.

A number of funds which predate NMGM's existence, which share a commonality of Trusteeship, have not been consolidated but are declared in full, as a note to the account (note 20).

#### b) Incoming resources

Grant-in-Aid from the Department for Culture, Media and Sport is taken to the Statement of Financial Activities in the year in which it is receivable.

Lottery income and income from the Northwest Development Agency is recognised as and when the conditions for its receipt have been met.

Legacies are treated as receivable as and when they are received unless there is sufficient evidence to provide the necessary certainty that the legacy will be received and that the value of the incoming resource can be measured with sufficient reliability.

A small amount of income has been treated as deferred; this will be matched and released as and when the conditions for its application have been met.

All other income is accounted for on a receivable basis.

Incoming resources of a similar nature are grouped together in line with SORP 2005 requirements.

#### c) Expenditure

Resources expended of a similar nature are also grouped together in line with SORP 2005.

The charitable activity groupings are; care of collections, care of buildings, visitor services, exhibitions and education and outreach. Expenditure has been allocated on a direct basis where applicable and by apportionment for administration and other costs. The apportionment method is based upon a pro-rata relationship of indirect costs to total direct costs.

Support costs are; management, finance, information technology, office services and human resources. Apportionment is calculated on the same basis as administration costs.



## Accounting Policies (cont'd)

### d) Heritage assets

Until the 31 March 2001 NML's collections have not been capitalised in the balance sheet since they were considered to be inalienable. The costs of additions to the collections were written off in the year of acquisition.

Additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine since the carrying values of many of the assets are affected by market demand.

Donated assets are valued by internal experts within the museum at an estimate of fair market value. Items allocated by HM Treasury under the acceptance in lieu of inheritance tax scheme are included in the accounts at their current valuation.

### e) Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of NML.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

Restricted funds are funds subject to specific restriction imposed by donors or by the purpose of an appeal.

### f) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. Depreciation is provided on all tangible assets, except land and heritage assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	50 years
Long leasehold buildings	over the lease term up to a maximum of 50 years
Furniture and fittings	4 years (museum)
	8 years (subsidiary)
Motor vehicles	4 years

The capitalisation threshold for all categories of depreciated fixed assets is "greater than" £2,000 (subsidiary £500).

The threshold for capitalisation of gifts in kind is £500.

Assets in the course of construction are stated at cost in tangible fixed assets, but are not depreciated until the asset becomes operational. The asset will then become subject to subsequent valuations and the appropriate depreciation schedule.

Land and buildings are professionally revalued every five years. The last external valuation of all NML's land and buildings was undertaken as at 1 April 2002. In the years between professional valuations, indices are used to adjust the net book value of the buildings. In the absence of a suitable index for land values, the land was professionally revalued in 2005-06.

Within the subsidiary trading company, the depreciation policy and financial threshold for asset recognition is different to that of NML and therefore there is an inconsistency within the Group. This is not material within the context of these statements.

Where NML becomes aware that the carrying value of its tangible fixed assets have suffered from impairment steps are taken to ensure that the carrying value is restated.

### g) Stock

Stock is valued at the lower of cost and net realisable value and comprises goods for resale.

## Accounting Policies *(cont'd)*

### *h) Leases*

Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

### *i) Pensions*

NML's staff are employed on terms, conditions and rates of pay determined by the Trustees. Staff meeting the eligibility requirements are entitled to membership of the Principal Civil Service Pension Scheme (PCSPS) and the conditions of the Superannuation Acts, 1965 and 1972 apply.

The Museum recognises the expected costs of these elements on a systematic and rational basis over the period during which benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the Museum recognises the contribution payable for the year.

The subsidiary trading company operates a defined contribution scheme. The cost of the scheme to the company is limited to the employer's contributions payable.

### *j) Notional costs*

In accordance with Treasury guidance, notional costs of capital are charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. These are reversed so that no provision is included on the balance sheet.

The notional cost of capital is 3.5% of average net assets (2004/05: 3.5%) calculated in accordance with advice issued by HM Treasury. The net values associated with assets funded by donations and by lottery grants are excluded from the notional charge as are the capitalised values of additions to the collections.

### *k) Taxation*

NML is an exempt charity by virtue of schedule 2 to the Charities Act 1993 and is exempt from Corporation Tax under Section 505 of the Income and Corporation Taxes Act 1988. The profits of the trading company are passed annually to the charity in such a way that any charge to tax is avoided.

By virtue of section 33A of the Value Added Tax Act 1994 NML receives refunds of VAT incurred on the purchase of goods and services, or on the acquisition or importation of goods used in connection with the free right of admission to the public. Ordinarily this VAT cannot be recovered because it is attributable to the non-business activity of free admission.

## 2 Grant-in-Aid

£18,155,000 of DCMS "Grant-in-Aid" has been received during the year (2005: £17,333,000). This money is available for running costs, capital improvements and collection purchases.

During the year Grant-in-aid was allocated to:

	<b>2006</b>	2005
	<b>£000</b>	£000
General Fund	<b>17,380</b>	16,733
Collection purchase fund	<b>225</b>	200
Deferred Government Grant Capital Allocation	<b>550</b>	400
	<b><u>18,155</u></b>	<u>17,333</u>

Payment of Grant-in-Aid is made by the Department for Culture, Media and Sport from the DCMS Resource Account for 2005/06 (Request for Resources 1) which is audited and published separately.

NML also receives Grant-in-Aid from the HM Revenue & Customs resource account. The amount received in 2005/06 was £335,117 (2004/05 £323,000). A capital grant of £155,000 was also received. A summary can be seen in Note 15.

**3 Net Incoming Resources**

	<b>2006</b>	2005
	<b>£000</b>	£000
Net incoming resources before transfers is stated after charging for:		
Travel and Subsistence (including Trustees)	<b>161</b>	145
Hospitality	<b>84</b>	85
Operating lease payments	<b>24</b>	35
Consolidated NAO Audit Fee	<b>37</b>	36
Trading Company Audit Fee	<b>7</b>	6
	<b>313</b>	307

**4 Total resources expended**

	Staff Costs £000	Other Costs £000	Depre- ciation £000	<b>2006</b> <b>Total</b> <b>£000</b>	2005 Total £000 Restated
Costs of generating funds:					
Fundraising costs	303	98		<b>401</b>	301
Cost of subsidiary company merchandising	1,014	848	29	<b>1,891</b>	1,808
Charitable activities;					
Care of collections	4,797	801		<b>5,598</b>	5,105
Care of buildings	838	3,820		<b>4,658</b>	4,265
Visitor services	3,437	173		<b>3,610</b>	3,294
Exhibitions	693	1,177		<b>1,870</b>	1,713
Education and outreach	1,893	385		<b>2,278</b>	2,091
Grants to Third Parties		233		<b>233</b>	240
Activities of charity staff	415	291		<b>706</b>	490
Governance costs	159	65		<b>224</b>	191
Depreciation			6,368	<b>6,368</b>	3,745
Total resources expended	<u>13,549</u>	<u>7,891</u>	<u>6,397</u>	<b><u>27,837</u></b>	<u>23,243</u>
<b>Governance costs</b> includes:					
External Audit fees		44		<b>44</b>	36
Corporate Governance (incl Internal Audit)	117	3		<b>120</b>	77
Legal Advice		15		<b>15</b>	39
Finance	42	3		<b>45</b>	39
	<u>159</u>	<u>65</u>		<b><u>224</u></b>	<u>191</u>

**Support costs;**

	Care of Collections	Care of Buildings	Visitor services	Exhibitions	Education & O'reach	Total
Management	98	64	65	28	40	295
Finance	190	40	135	29	75	469
ICT	243	267	150	100	100	860
Office services	70	100	40	35	29	274
Human resources	232	262	142	97	96	829
	<u>833</u>	<u>733</u>	<u>532</u>	<u>289</u>	<u>340</u>	<u>2,727</u>

## 5 Staff Costs

During the year staff costs directly associated with the delivery of NML's Lottery Funded project NMGM Into the Future, and incremental to the normal operating staff cost base, were capitalised. The amount for the year was £130,241 and the following note has been expanded to reflect the capitalisation.

	NML	NML	<b>Total</b>	Total
		Trading Ltd	<b>2006</b>	2005
	£000	£000	<b>£000</b>	£000
Wages and salaries	10,119	951	<b>11,070</b>	10,554
Social Security Costs	681	52	<b>733</b>	705
Pension Costs	1,735	11	<b>1,746</b>	1,393
	<u>12,535</u>	<u>1,014</u>	<b><u>13,549</u></b>	<u>12,652</u>
<b>Staff Costs within operating expenditure</b>				
Capitalised Staff Costs	130	0	<b>130</b>	198
<b>Total Staff Costs</b>	<u>12,665</u>	<u>1,014</u>	<b><u>13,679</u></b>	<u>12,850</u>

The capitalised staff costs include; Basic Pay £95,988, Employers NIC £12,112 and Employers Superannuation £22,141.

The PCSPS is an unfunded multi-employer defined benefit scheme. NML is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (**Hewitt Bacon Woodrow**) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the **Cabinet Office: Civil Superannuation** ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005-06, employers' contributions of £1,738,356 were payable to the PCSPS (2004-05: £1,216,501) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,889 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer **partnership** contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employer contributions of £557.15 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

One employee retired early on **ill-health** grounds; the total additional accrued pension liabilities in the year amounted to £1,030.

The subsidiary trading company operates a defined contribution scheme. The cost of the scheme to the company is limited to the employer's contributions payable. In 2005-2006 the employer's contribution was 5% of basic salary for all members plus 1.5% of basic earnings above the lower earnings limit for those members who have contracted out of SERPS. The pension cost to the employer amounted to £11,431 in the year (2004/05: £9,740).

There were three members of the Executive Team who received over £60,000 (basic pay plus overtime etc.) during the year 2005/06. They were; A de Joia (£61,061), S Granville (£63,762) and D Fleming (£93,024). There were no other staff members receiving over £60,000.

**5 Staff Costs (cont'd)**

The average number of employees analysed by division was:

<b>Employee Configuration as at 31 March 2006</b>		<b>Employee configuration as at 31 March 2005</b>	
	<b>2006</b>		<b>2005</b>
Director's Office	<b>5</b>	Director's Office	<b>6</b>
Museum Secretary's Office	<b>4</b>	Museum Secretary's Office	<b>4</b>
Development and Communications	<b>65</b>	Development and Communications	<b>123</b>
Public Services:		Public Services	<b>306</b>
Collections Management	<b>117</b>		
Visitor Services	<b>199</b>		
Museum of Liverpool	<b>41</b>		
Human Resources	<b>17</b>	Human Resources	<b>15</b>
Finance, ICT & Procurement	<b>43</b>	Finance, ICT & Procurement	<b>45</b>
Cleaning Services	<b>43</b>	Cleaning Services	<b>39</b>
NML Trading Ltd	<b>62</b>	NML Trading Ltd	<b>65</b>
	<b>596</b>		<b>603</b>

The average number of employees analysed by category of staff was:

<b>Employee Configuration as at 31 March 2006</b>		<b>Employee Configuration as at 31 March 2005</b>	
<b>NML</b>		<b>NML</b>	
Senior Management Team	<b>12</b>	Senior Management Team	<b>12</b>
Staff on permanent contract	<b>516</b>	Staff on permanent contract	<b>524</b>
Staff on secondment	<b>0</b>	Staff on secondment	<b>0</b>
Staff on fixed term contracts	<b>68</b>	Staff on fixed term contracts	<b>67</b>
Total	<b>596</b>	Total	<b>603</b>

**Trustees**

The Trustees neither received nor waived any emoluments during the year. Payments to reimburse Trustees' travel and subsistence costs associated with the attendance of meetings amounted to £14,958 (2005: £10,864). Nine trustees were reimbursed in 2005/06.

There are five Directorships within NML, these are:-

The Director and Accounting Officer

The Director of the Museum of Liverpool Project

The Director of Development & Communications

The Assistant Director of Public Services (Collections Management) and

The Assistant Director of Public Services (Visitor Management).

The Trustees and the Directors assume the ultimate responsibility for the direction of NML and the associated control mechanisms.

**5 Staff Costs (cont'd)**

The salary, pension entitlements and the value of any taxable benefits in kind of the Directors of the National Museums Liverpool were as follows:

	2005-06		2004-05	
	Salary including performance pay £k	Benefits in kind (to nearest £100)	Salary including performance pay £k	Benefits in kind (to nearest £100)
D Fleming Director	85 – 90 plus non consolidated bonus 5 – 10	0	85 – 90 plus non consolidated bonus 5 – 10	0
S Granville Director of Public Services	60 – 65	0	55 – 60	0
A de Joia Director of Development & Communications	60 – 65	0	55 – 60	0
John Millard <sup>1</sup> Assistant Director of Public Services (Collections Management)	45 – 50	0	Not applicable	Not applicable
Carol Rogers <sup>2</sup> Assistant Director of Public Services (Visitor Management)	45 – 50	0	Not applicable	Not applicable

<sup>1</sup> appointed to Director-level status on 01/10/2005

<sup>2</sup> appointed to Director level status on 01/10/2005

Below the Directors are a series of teams which meet to discuss a range of management issues on a regular basis. These teams, in descending order of seniority are:

The Executive Team

The Senior Management Team, and

The Strategy Forum.

The Executive Team consists of the three Directors plus the Assistant Directors, the Secretary to the Board, the Head of Human Resources and the Head of Finance. The annual appraisals of the Executive Team are countersigned by the Trustees.

The Senior Management Team consists of the Executive Team plus a number of Divisional / Operational Heads.

The Strategy Forum is the largest managerial grouping and consists of the Senior Management Team plus managers from all disciplines across the museums.

The performance of all managers is assessed by way of an appraisal system.

## 5 Staff Costs (cont'd)

With respect to pensions for each of the Directors the position is as follows:

	Accrued pension at age 60 as at 31/03/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV1 at 31/03/06	CETV at 31/03/05 (restated)	Real increase in CETV	Employer Contribution To Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
D Fleming Director	22.5 – 25 plus lump sum of 72.5 – 75	0 – 2.5 plus lump sum of 2.5 – 5	478	361	24	0
S Granville Director of Public Services	15 – 17.5 plus lump sum of 45 – 47.5	0 – 2.5 plus lump sum of 40 – 42.5	240	22	48	0
A de Joia Director of Development & Communications	12.5 – 15 plus lump sum of 37.5 – 40	0 – 2.5 plus lump sum of 2.5 – 5	191	128	17	0
John Millard <sup>2</sup> Assistant Director of Public Services (Collections Management)	25 – 27.5	0 – 2.5	466	361	42	0
Carol Rogers <sup>3</sup> Assistant Director of Public Services (Visitor Management)	0 – 2.5	0 – 2.5	31	17	6	0

<sup>1</sup> 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.

<sup>2</sup> appointed to Director-level status on 01/10/2005

<sup>3</sup> appointed to Director level status on 01/10/2005

### Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

### Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

## 5 Staff Costs (cont'd)

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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 the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of 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.

There were no special or ex-gratia payments during the financial year.



**6 Tangible fixed assets**

	Land	Buildings	Furniture & Fittings	Motor Vehicles	Assets in Course of Construction	sub-total	Heritage Assets	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	<b>£000</b>
<b>Cost/valuation</b>								
Valuation Base at 1-Apr-05	13,115	137,233	11,341	84	11,868	173,641	6,569	<b>180,210</b>
Transfers from AICC			7,742		-7,742			<b>0</b>
Additions in Year		1,725	1,463	13	4,366	7,567	591	<b>8,158</b>
Disposals			-7			-7		<b>-7</b>
Indexed Revaluation	2,526	9,373			-3,003	8,896		<b>8,896</b>
<b>Closing Valuation</b>	<b>15,641</b>	<b>148,331</b>	<b>20,539</b>	<b>97</b>	<b>5,489</b>	<b>190,097</b>	<b>7,160</b>	<b>197,257</b>
<b>Depreciation</b>								
Balance as at								
1-Apr-05		8,170	10,264	76		18,510		<b>18,510</b>
Base Charge for Year		3,525	2,865	7		6,397		<b>6,397</b>
Disposals			-7			-7		<b>-7</b>
Balance as at 31-Mar-06	0	11,695	13,122	83	0	24,900	0	<b>24,900</b>
Net book value:								
At 31 March 2006	15,641	136,636	7,417	14	5,489	165,197	7,160	<b>172,357</b>
At 31 March 2005	13,115	129,063	1,077	8	11,868	155,131	6,569	<b>161,700</b>

The net book value figure of £172,357 is comprised as follows:

	<b>2006</b>	<b>2005</b>
Museum	172,255	161,580
Trading Company	102	120
	<b>172,357</b>	<b>161,700</b>

The Trading Company is comprised solely of fixtures and fittings.

Based upon our experience of the carrying value of assets, the fit-out costs to 2002-2003 (£3.003m), within assets in the course of construction, have been written down to nil.

**Heritage Assets**

Additions to the collections included acquisitions via the collection purchase fund and Gifts in Kind. The major additions for the year 2005-06 were:

<b>Collection Purchase Fund</b>	<b>£</b>
Beatles material	107,118
"Viral Landscapes" 5 works by Helen Chadwick	80,023
"Cymon & Iphigenia" ink drawings by Sir John Millais	14,000
Porcelain mug (bell shaped tankard) Samuel Gilbody factory 1755-56	8,500
Poole pottery (Leaping Deer) vase by John Adams 1920s	7,500
Aqua-Poesy X1, silver 999 hammer raised vase by Hiroshi Suzuki 2004	4,999
CSS Alabama albumen photographs, South Africa 1863	5,523
"Ears" by Louise Bourgeois 2004	7,350
18 piece Cube teaset by Susie Cooper 1932	7,000

**6 Tangible fixed assets (cont'd)**

<b>Gifts in Kind</b>	<b>£</b>
Watercolour "Naples from the Mole" – JMW Turner, in lieu of Tax	105,000
"Plaster and Wood Table" sculpture by Tony Cragg	45,000
Beatles stage and spotlights	30,000
Self portrait Nicholas Horsfield 1980	10,000
Ship model of the Cunard Liner TSS Media 1947	10,000

**Collection Acquisitions**

Additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine.

**Gifts in Kind**

Gifts in kind are recognised in the account as ownership passes from the donor to NML and are valued either by NML staff or, where a relationship with a taxation agreement exists, by reference to a Capital Taxes Office valuation.

The threshold for capitalisation of gifts in kind is £500.

**Net Book Value of Land and Buildings**

The net book value of land and buildings comprises:

	<b>£000</b>
Land	15,641
Freehold Buildings	98,369
Long Leasehold Buildings	38,267
	<u>152,277</u>

**Net Book Value of Land and Buildings**

NML has operated a revaluation policy in relation to its land and buildings since its formation in 1986. The last full revaluation of the land and buildings was carried out at the 1 April 2002 by Drivers Jonas, Chartered Surveyors in accordance with the RICS "Appraisal and Valuation" Manual using Depreciated Replacement Cost (DRC) conventions, Existing Use Value (EUV) or Open Market Value (OMV) as appropriate.

**6 Tangible fixed assets (cont'd)**

<b>Property</b>	<b>Basis of 2002 Valuation</b>
<b>Freehold Properties</b>	
Lady Lever Art Gallery	DRC
County Sessions House	DRC
The Walker	DRC
Liverpool Museum	DRC
Sudley House	DRC
Maritime Park	DRC
Juniper Street	EUV
Maritime Car Park	OMV
Dale Street	EUV
<b>Long Leasehold Properties</b>	
Oratory	DRC
Maritime 'D' Block	DRC
Maritime Piermaster's House	DRC
The Walker	DRC
Conservation Centre	EUV
DS (11 North St)	DRC

Drivers Jonas carried out a valuation of World Museum Liverpool (formerly Liverpool Museum) and the Walker Art Gallery in 2002/03 following the transfer of the assets in the course of construction.

In 2005/06 Drivers Jonas undertook a valuation of NML's land values and these valuations are reflected in this note. Buildings were revalued at the end of the financial year using indices provided by the DCMS from the DTI "Quarterly Building Price and Cost Indices", and in accordance DCMS procedural notes.

The net book value for each property as at the 31 March 2006 is shown below:-

<b>Property</b>	<b>Valuation of Land as at 1-Apr-05</b>	<b>Valuation of Buildings as at 1-Apr-05</b>	<b>Land Revaluation Move</b>	<b>Additions to Buildings 2005/06</b>	<b>MHCA Adjustment to Buildings</b>	<b>Total Depreciation at 31-Mar-06</b>	<b>Net Book Value of Land at 31-Mar-06</b>	<b>Net Book Value of Buildings at 31-Mar-06</b>
	£	£	£	£	£	£	£	£
<b>Freehold</b>								
Lady Lever Art Gallery	70,000	6,362,487	7,000	45,204	434,558	544,289	77,000	6,297,960
County Sessions House	244,000	1,184,070	146,000	0	80,872	101,196	390,000	1,163,746
The Walker Art Gallery	1,638,000	17,625,600	234,000	299,731	1,203,821	1,489,023	1,872,000	17,640,129
World Museum Liverpool	1,993,000	60,947,092	285,000	262,946	4,162,686	5,194,697	2,278,000	60,178,027
Sudley House	122,000	960,330	40,000	486,260	65,591	89,584	162,000	1,422,597
Maritime Park	2,668,000	5,648,819	539,000	69,772	385,814	474,626	3,207,000	5,629,779
Juniper Street	0	3,813,772	0	5,792	260,481	326,056	0	3,753,989
Maritime Car Park	4,500,000	0	1,000,000	0	0	0	5,500,000	0
Dale Street	0	2,307,926	0	6,660	157,631	189,460	0	2,282,757
<b>Total Freehold</b>	<b>11,235,000</b>	<b>98,850,096</b>	<b>2,251,000</b>	<b>1,176,365</b>	<b>6,751,454</b>	<b>8,408,931</b>	<b>13,486,000</b>	<b>98,368,984</b>
<b>Leasehold</b>								
Oratory	39,000	34,594	10,000	0	2,363	2,956	49,000	34,001
Maritime "D" Block	771,000	23,922,338	129,000	129,755	1,633,896	2,042,420	900,000	23,643,569
Maritime Piermaster's House	128,000	590,606	1,500	0	40,338	49,406	129,500	581,538
The Walker	16,000	766,996	2,000	0	52,386	65,551	18,000	753,831
Conservation Centre	926,000	13,043,832	132,000	419,390	890,894	1,123,109	1,058,000	13,231,007
(DS) 11 North St	0	24,188	0	0	1,652	2,068	0	23,772
<b>Total Leasehold</b>	<b>1,880,000</b>	<b>38,382,554</b>	<b>274,500</b>	<b>549,145</b>	<b>2,621,529</b>	<b>3,285,510</b>	<b>2,154,500</b>	<b>38,267,718</b>
<b>Grand Totals</b>	<b>13,115,000</b>	<b>137,232,650</b>	<b>2,525,500</b>	<b>1,725,510</b>	<b>9,372,983</b>	<b>11,694,441</b>	<b>15,640,500</b>	<b>136,636,702</b>

## 6 Tangible fixed assets (cont'd)

### New Museum of Liverpool

The new Museum of Liverpool will be constructed on NML's land at its Mann Island site. The existing car park will be closed to facilitate the development and part of the Museum of Liverpool Life will be demolished.

The construction of a canal, partly crossing land currently owned by NML, is also under discussion with the British Waterways Board.

In 2004 the Northwest Development Agency (NWDA) agreed to fund the design, business planning and feasibility assessments associated with the development of a new Museum of Liverpool. The initial grant facility was £4m and this was increased to £6m in line with the spend projections submitted to the NWDA at the commencement of the development phase.

As at 31 March 2006 the cumulative spend against this facility was:

	<b>£000</b>
Spend during year ended 31 March 2005	852
Spend during year ended 31 March 2006	4,179
Total spend as at 31 March 2006	<u>5,031</u>

The development grant period will end on 30 June 2006 at which point the full £6m will have been expended.

The expenditure covers a range of consultants' fees, an element of capitalised staff costs and an allowance for the resolution of a number of site issues.

Planning consent for the new museum was obtained on 20 December 2005.

On 8 July 2005 the NWDA Board approved a support package of £35.2m which included the development funding of £6m, effectively confirming additional grant support of up to £29.2m subject to a number of prescribed conditions being met.

On the 22 June 2006 the Government Office for the North West confirmed that a £5m grant from the Merseyside Objective 1 programme had also been approved.

If the Museum now proceeds the freehold interest in two plots of land will be conveyed to the British Waterways Board (BWB) at nil consideration. Additionally the leasehold interest in a plot of land currently held by the NWDA will be passed to NML for onward conveyance to BWB.

The two plots of land are currently shown on the 31 March 2006 Balance Sheet, contained within the Maritime Park valuation.

Additionally, if the Museum proceeds, the Pilotage Building will be partially demolished to make way for the capital development.

All spend on the Museum of Liverpool will be taken to an Assets in the Course of Construction account until it can be released to a standard balance sheet account.

**6 Tangible fixed assets (cont'd)**

The current cost plan for the Museum of Liverpool is summarised below:-

	<b>£m</b>
Construction of the building	37.430
Fees and other costs associated with the above	6.302
Exhibition Fit-Out	12.397
Experience Fit-Out	5.544
Fees associated with the above	3.327
	<b><u>65.000</u></b>

The new museum is also the subject of a bid for the Heritage Lottery Fund in respect of the fitting out elements.

**Merseytram**

During the 2003/2004 NML was given notice by the Merseyside Passenger Transport Executive (MPTE) that it had made seven applications to the Secretary of State for Transport for compulsory powers to acquire or use NML land for the purpose of constructing Merseytram Line One.

These powers were subsequently granted by the Secretary of State, however, during 2004/2005 NML entered into a private agreement with the MPTE such that, if the scheme proceeds as envisaged, the impact of the compulsory purchase order upon NML will be limited to:-

- (1) one permanent land take at the Mann Island site
- (2) one temporary disposal at the rear of the Walker Art Gallery
- (3) two permanent fixtures of MPTE equipment to World Museum Liverpool building site.

**Disposals in year**

There was £6,695 of furniture and fittings disposals for the subsidiary trading company. There were no disposals of land or buildings during the year. NML is carrying forward unapplied balances in respect of the disposals of the Blundell Street Warehouse (£215,393) and the Irwell Street Boatshed (£385,000). These cash balances form part of the asset representation of the Capital Reserve Fund.

**Dock Traffic Office**

During the year discussions took place with Granada TV and Quorum Developments Limited in respect of acquiring a leasehold interest in the building known as the Dock Traffic Office, Albert Dock, Liverpool. Discussions were successfully concluded in May 2006 and the transactions will form part of the 2006/2007 account.

**Assets in the course of construction**

Spend made against NML's major buildings and fit out projects, delivered over an extended timescale is taken to an "assets in the course of construction" account until the asset is completed, at which time the associated cost is transferred to a depreciated asset base.

**6 Tangible fixed assets (cont'd)**

Accumulative expenditure on "assets in the course of construction" as at 31 March 2006, consisted of:-

<b>NMGM Into the Future</b>	<b>£000</b>
Purchase of the Mountford Building	692
Building Work at the World Museum Liverpool	21,124
Building Work at the Walker Art Gallery	3,655
Fees on Building Work	3,712
Fees in respect of the gallery displays	2,825
Work on gallery displays and development of gallery displays:	6,605
Residual building work	381
Creation of new galleries at the Museum of Liverpool Life	777
Capitalised staff cost	1,101
Refurbishment of the Juniper Street Store	1,553
Decant and Transfer Costs	1,481
Plus spend outside the project boundary:-	
17th Century Gallery	589
Base Build Completion	1,013
<b>Spend on the Project</b>	<b>45,508</b>
<b>Less transfers to depreciating asset base and impairments:-</b>	
to 31 March 2005	34,763
transferred in year ending 31 March 2006	7,742
impairment of Fit-Out at World Museum Liverpool, the final phase of the project.	3,003
	<b>45,508</b>

The new facilities became operational on 29 April 2005.

**Current AICC balance:-**

International Slavery Museum	458
Museum of Liverpool	5,031
Assets in the course of construction as at 31 March 2006	<b>5,489</b>

**7 Investment Income**

All of the investment income derives from returns on fixed interest placement with National Westminster Bank plc:

	2006	2005
	£000	£000
Interest receivable	<u>245</u>	<u>232</u>

The interest received under these arrangements amounts to less than 1% of total incoming resources and under the terms of the placement any risk lies with the National Westminster Bank plc.

**8 Financial Instruments**

FRS 13 *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks which the Trustees of NML face in discharging their duties.

We have taken advantage of the exclusion permitted by FRS13 and not disclosed short-term debtors and creditors.

*Liquidity Risks*

In 2005-06, £18.2m (62%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue GIA of £335k and a capital grant of £155k was received from HM Revenue and Customs. The remaining operating expenditure was therefore financed from self-generated income which tends to be volatile in nature. NML is therefore exposed to some liquidity risk. However, this risk is mitigated by the reserves policy.

**8 Financial Instruments (cont'd)***Interest Rate Risks*

As mentioned above, NML receives less than 1% of its income through returns on invested cash balances. It is therefore not exposed to any material risk in relation to fluctuating interest rates.

*Foreign Exchange Risks*

NML does not engage in market dealings in respect of foreign currencies and the Trustees are therefore not exposed to any foreign exchange risks.

**9 Trading subsidiary**

NML owns the whole of the issued share capital of NML Trading Limited, a company registered in England and Wales. The company's principal activities consist of the provision of catering and retailing services to NML's visitors, together with the provision of conference facilities to a wider audience.

A summary of the results and net assets of NML Trading Ltd is shown below.

<b>Results</b>	<b>Retail</b>	<b>Catering</b>	<b>Services &amp; Conferencing</b>	<b>Total 2006</b>	<b>Total 2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Turnover	<b>651</b>	<b>1,055</b>	<b>375</b>	<b>2,081</b>	2,058
Cost of sales	<b>-352</b>	<b>-378</b>	<b>0</b>	<b>-730</b>	-705
Gross profit	<b>299</b>	<b>677</b>	<b>375</b>	<b>1,351</b>	1,353
Other expenses	<b>-296</b>	<b>-625</b>	<b>-409</b>	<b>-1,330</b>	-1,264
Net profit	<b>3</b>	<b>52</b>	<b>-34</b>	<b>21</b>	89
Amount gifted to NML to extinguish taxable profit				<b>-20</b>	-94
Movement on Profit & Loss account				<b>1</b>	-5

In order to avoid payment of corporation tax NML Trading passes to NML an amount under a Gift Aid arrangement which extinguishes the taxable profit. This charge can be greater than the profit reported in the financial statements and results in matching movement in retained earnings.

**Reconciliation of Trading Subsidiary results to Consolidated Statement of Financial Activities**

	<b>2006</b>
	<b>£000</b>
Turnover	2,081
Inter-company sales	-379
	<u>1,702</u>
Cost of sales	-730
Inter-company sales	169
Other expenses	-1,330
Consolidated cost of sales And expenses	<u>-1,891</u>

**9 Trading subsidiary (cont'd)**

<b>Balance Sheet</b>	<b>2006</b>	2005
	<b>£000</b>	£000
Fixed assets	<b>102</b>	120
Current assets	<b>659</b>	642
Current liabilities	<b>-362</b>	-363
Net assets	<b>399</b>	399
Share capital and reserves	<b>399</b>	399

The audit fee for the year amounted to £6,622 and this amount is disclosed at note 3.

**10 Debtors**

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>Charity</b>	<b>Group</b>	Charity	Group
	<b>£000</b>	<b>£000</b>	£000	£000
Amounts due from subsidiary	<b>254</b>	<b>0</b>	250	0
Trade debtors	<b>214</b>	<b>349</b>	204	265
Other debtors and prepayments	<b>2,264</b>	<b>2,378</b>	3,413	3,506
Taxation recoverable	<b>515</b>	<b>515</b>	696	696
	<b>3,247</b>	<b>3,242</b>	4,563	4,467

Other debtors includes a balance of £1,048,000 owned by the North West Regional Development Agency and £515,000 owed by HM Revenue and Customs.

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

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>Charity</b>	<b>Group</b>	Charity	Group
	<b>£000</b>	<b>£000</b>	£000	£000
Amounts due to subsidiary	<b>106</b>	<b>0</b>	44	0
Trade creditors	<b>1,596</b>	<b>1,707</b>	1,823	1,901
Other creditors and accruals	<b>1,240</b>	<b>1,393</b>	1,344	1,413
Deferred income	<b>124</b>	<b>124</b>	221	221
Taxation and social security	<b>259</b>	<b>314</b>	227	281
	<b>3,325</b>	<b>3,538</b>	3,659	3,816

The downward movement in deferred income represents two unusual items in 2005; MLA N'West (£22,000) for "Learning Links" and the Liverpool Cotton Assoc (£43,000) sponsorship of the "100% Cotton" exhibition. The remainder was a reduction in the deferring of commercial contract income. Taxation & social security includes an amount owing to HM Revenue & Customs of £314,000.

**12 Financial Commitments**

At 31 March 2006 NML had annual commitments under non-cancellable leases as follows:

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>Land &amp;</b>	<b>Other</b>	Land &	Other
	<b>Buildings</b>		Buildings	
	<b>£000</b>	<b>£000</b>	£000	£000
Operating leases which expire:				
Within one year:	<b>0</b>	<b>4</b>	0	28
In the second to fifth year	<b>0</b>	<b>0</b>	0	0
	<b>0</b>	<b>4</b>	0	28



**13 Statement of Funds**

	At 1 Apr-05 £000	Income £000	Expend- iture £000	Revalua- tions £000	Transfers £000	At 31 Mar-06 £000
<b>Unrestricted funds</b>						
Designated funds						
Collection purchase fund (Free)	253	0	0	0	-32	221
Collection purchase fund	248	225	0	0	32	505
C&E admissions (Free)	101	0	0	0	10	111
Academic Publications (Free)	114	25	-25	0	0	114
Capital reserve	68,685	0	-1,524	6,440	0	73,601
Deferred govt grant ITF	531	0	-14	38	0	555
Deferred government grant	21,097	550	-534	1,573	0	22,686
General capital	2,679	0	-299	147	694	3,221
NMGM ITF	4,837	0	-181	-462	0	4,194
<b>Total designated funds</b>	<b>98,545</b>	<b>800</b>	<b>-2,577</b>	<b>7,736</b>	<b>704</b>	<b>105,208</b>
General funds (Free)	3,784	20,582	-20,178	0	-704	3,484
<b>Total unrestricted funds</b>	<b>102,329</b>	<b>21,382</b>	<b>-22,755</b>	<b>7,736</b>	<b>0</b>	<b>108,692</b>
<b>Restricted funds</b>						
Collection purchase fund	6,405	372	0	0	0	6,777
Development fund	19,290	2,467	-1,964	1,247	-187	20,853
Lottery Lutyens	4	31	-32	0	0	3
NMGM ITF – Lottery	31,712	513	-2,213	-291	0	29,721
NMGM ITF – ERDF	3,797	0	-103	276	0	3,970
Development fund ITF	2,832	0	-335	-72	187	2,612
NWDA ITF	1,552	173	-435	0	0	1,290
NWDA	917	4,177	0	0	0	5,094
<b>Total restricted funds</b>	<b>66,509</b>	<b>7,733</b>	<b>-5,082</b>	<b>1,160</b>	<b>0</b>	<b>70,320</b>
<b>Total funds</b>	<b>168,838</b>	<b>29,115</b>	<b>-27,837</b>	<b>8,896</b>	<b>0</b>	<b>179,012</b>

**Expanded Statement of Financial Activities (SuperSOFA)**

At present the museum produces a Consolidated Statement of Financial Activities as well as a Consolidated Summary Income and Expenditure Account.

The Museum is working with the Department for Culture, Media and Sport and a number of leading museums and galleries, to devise a revised format for these primary statements. The aim is to produce one primary statement and also to provide a much clearer disclosure of operating results, free reserves and capital movements.

This note (see overleaf) shows the 2005/2006 result in the proposed draft format. It is provided here for information purposes only.

## National Museums and Galleries on Merseyside

	Income & Expenditure Funds											Capital Funds											Total Funds			
	Unrestricted					Restricted						Unrestricted					Restricted						Unrestricted	Restricted	Total	
	Coll/Purc. Fund	C & E Adm. Publics.	Acad. Misc.	General Fund	Free Fund	Acad Pubs	Restrict Income	Lottery Lvy	Coll/Purc. Fund	NMGM ITF	General capital	DGG ITF	DGG	Capital Reserve	Coll/Purc. Fund	Develop Fund	Dev/Fnd ITF	Lottery ITF	ERDF ITF	NWDA ITF	NWDA CAP	Unrestricted 05-06	Restricted 05-06	Total 2005-06	Total 2004-05	
<b>Incoming Resources</b>																										
Grant in Aid – DCMS	-	-	-	17,380	17,380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,155	0,000	18,155	17,333	
Grant in Aid – HMRC	-	-	-	-	-	0,490	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,000	0,490	0,490	0,323	
Incoming resources from generated funds;	-	-	-	0,023	0,026	-	1,885	0,031	-	-	-	-	-	-	0,104	-	0,513	-	-	-	-	0,026	6,883	6,909	8,065	
Grants & donations	-	-	-	-	-	-	0,050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,000	0,050	0,050	0,000	
Legacies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,268	-	-	-	-	-	-	0,000	0,268	0,268	1,594	
Gifts	-	-	-	1,702	1,702	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,702	0,000	1,702	1,698	
Merchandising income of subsidiary	-	-	-	0,203	0,203	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,203	0,042	0,245	0,232	
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Incoming resources from charitable activities	-	0,022	-	1,274	1,296	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,296	0,000	1,296	1,000	
<b>Total incoming resources</b>	<b>0,000</b>	<b>0,000</b>	<b>0,025</b>	<b>20,382</b>	<b>20,607</b>	<b>0,000</b>	<b>2,467</b>	<b>0,031</b>	<b>0,225</b>	<b>0,000</b>	<b>0,000</b>	<b>0,550</b>	<b>0,000</b>	<b>0,000</b>	<b>0,372</b>	<b>0,000</b>	<b>0,513</b>	<b>0,000</b>	<b>0,173</b>	<b>0,000</b>	<b>0,173</b>	<b>21,382</b>	<b>7,733</b>	<b>29,115</b>	<b>30,245</b>	
<b>Resources expended:</b>																										
Costs of generating funds;	-	-	-	0,401	0,401	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,401	0,000	0,401	0,301	
Fundraising costs	-	-	-	1,891	1,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,891	0,000	1,891	1,808	
Subsidiary merchandising expend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Charitable activities:	-	-	-	16,723	16,748	1,234	0,032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,748	1,266	18,014	16,468	
Operating Expenditure	-	0,025	-	0,233	0,233	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,233	0,000	0,233	0,240	
Grants to third parties	-	-	-	0,706	0,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,706	0,000	0,706	0,490	
Activities of charity staff	-	-	-	0,224	0,224	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,224	0,000	0,224	0,191	
Governance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,552	3,816	6,368	3,745	
<b>Total resources expended</b>	<b>0,000</b>	<b>0,000</b>	<b>0,025</b>	<b>20,178</b>	<b>20,203</b>	<b>0,000</b>	<b>1,234</b>	<b>0,032</b>	<b>0,000</b>	<b>0,181</b>	<b>0,299</b>	<b>0,534</b>	<b>0,014</b>	<b>1,524</b>	<b>0,000</b>	<b>0,730</b>	<b>0,335</b>	<b>2,213</b>	<b>0,103</b>	<b>0,435</b>	<b>0,000</b>	<b>22,755</b>	<b>5,082</b>	<b>27,837</b>	<b>23,243</b>	
<b>Net incoming resources</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,404</b>	<b>0,404</b>	<b>0,000</b>	<b>1,233</b>	<b>-0,001</b>	<b>0,225</b>	<b>-0,181</b>	<b>0,299</b>	<b>0,016</b>	<b>-0,014</b>	<b>-1,524</b>	<b>0,372</b>	<b>-0,730</b>	<b>-0,335</b>	<b>-1,700</b>	<b>-0,103</b>	<b>-0,262</b>	<b>4,177</b>	<b>-1,373</b>	<b>2,651</b>	<b>1,278</b>	<b>7,002</b>	
Notional cost of capital	-0,021	-0,004	-0,004	-0,127	-0,156	-	-	-	-	-0,158	-0,103	-0,766	-0,019	-2,490	-	-	-	-	-0,136	-	-	0,000	0,000	0,000	0,000	
Transfers between funds	-0,032	0,010	-	-0,704	-0,726	-	-1,256	-	0,032	-	0,694	-	-	-	-	1,069	0,187	-	-	-	-	-	-	-	-	
<b>Net incoming resources after notional costs and transfers</b>	<b>-0,053</b>	<b>0,006</b>	<b>-0,004</b>	<b>0,000</b>	<b>-0,427</b>	<b>0,000</b>	<b>-0,023</b>	<b>-0,001</b>	<b>0,257</b>	<b>-0,339</b>	<b>0,292</b>	<b>-0,750</b>	<b>-0,033</b>	<b>-4,014</b>	<b>0,372</b>	<b>0,339</b>	<b>-0,148</b>	<b>-1,700</b>	<b>-0,239</b>	<b>-0,262</b>	<b>4,177</b>	<b>-5,065</b>	<b>2,515</b>	<b>-2,550</b>	<b>3,410</b>	
Reversal of notional costs	0,021	0,004	0,004	0,127	0,156	-	-	-	0,000	0,158	0,103	0,766	0,019	2,490	-	-	-	-	0,136	-	-	3,692	0,136	3,828	3,592	
<b>Net incoming resources</b>	<b>-0,032</b>	<b>0,010</b>	<b>0,000</b>	<b>0,000</b>	<b>-0,300</b>	<b>-0,322</b>	<b>0,000</b>	<b>-0,023</b>	<b>0,257</b>	<b>-0,181</b>	<b>0,395</b>	<b>0,016</b>	<b>-0,014</b>	<b>-1,524</b>	<b>0,372</b>	<b>0,339</b>	<b>-0,148</b>	<b>-1,700</b>	<b>-0,103</b>	<b>-0,262</b>	<b>4,177</b>	<b>-1,373</b>	<b>2,651</b>	<b>1,278</b>	<b>7,002</b>	
<b>Movement on assets:</b>																										
<b>Revaluation of tangible fixed assets</b>	-	-	-	-	-	-	-	-	-	-0,462	0,147	1,573	0,038	6,440	-	1,247	-0,072	-0,291	0,276	-	7,736	1,160	8,896	11,008		
Net movement in funds	-0,032	0,010	0,000	0,000	-0,300	-0,322	0,000	-0,023	0,257	-0,643	0,542	1,589	0,024	4,916	0,372	1,586	-0,220	-1,991	0,173	-0,262	6,363	3,811	10,174	18,010		
Fund balances brought forward	0,253	0,101	0,114	0,000	3,784	4,252	1,776	0,004	0,248	4,837	2,679	21,097	0,531	68,685	6,405	17,514	2,832	31,712	3,797	1,552	102,329	66,509	168,838	150,828		
<b>Fund balances carried forward</b>	<b>0,221</b>	<b>0,111</b>	<b>0,114</b>	<b>0,000</b>	<b>3,484</b>	<b>3,930</b>	<b>0,000</b>	<b>1,753</b>	<b>0,505</b>	<b>4,194</b>	<b>22,686</b>	<b>0,555</b>	<b>73,601</b>	<b>6,777</b>	<b>19,100</b>	<b>2,612</b>	<b>29,721</b>	<b>3,970</b>	<b>1,290</b>	<b>1,290</b>	<b>108,692</b>	<b>70,320</b>	<b>179,012</b>	<b>168,838</b>		

## The Capital Funds represent both Fixed Assets and Current Assets:

General Capital	0.003	Cash from Disposals	173.326
DGG	0.232	Cash from Grant in Aid	1.071
Capital Reserve	0.715	Cash including Disposals	
Collection Purchases	0.121	Restricted Cash	
	<b>1.071</b>	<b>Museum Balance Sheet</b>	<b>172.255</b>
		<b>Capital Funds</b>	<b>173.326</b>
		<b>Less Current Assets</b>	<b>1.071</b>
		<b>Fixed Assets</b>	<b>172.255</b>

**13 Statement of Funds (cont'd)**

Note 13 reconciles to the Consolidated Statement of Financial Activities on page 25.

The significant transfers between funds during the year were £694,000 from the General Fund to the General Capital Fund (Fixed Asset Additions), £1,069,000 from the Revenue Development Fund to the Capital Development Fund (Fixed Asset Additions).

**Reserves Policy**

The free income reserve available at 31 March 2006 was £3,930,000. The Trustees consider that sufficient funds are held in an appropriate form to enable each fund to be applied in accordance with any restriction imposed. NML are however subject to HM Treasury controls regarding the application of end-year flexibility (EYF) balances and historical reserves.

The Business Plan (2006-2008) projections anticipated an increase in General Fund of £705,000 (£93,000 after transfers to capital) for the year 2005/2006. The result for the year was £404,000; of which £704,000 was transferred to capital and designated funds. The remaining balance of £-300,000 reduced the general fund balance to £3,484,000.

A smaller than expected contribution to running costs from grants and donations and deferred spend largely accounted for this variation.

**Unrestricted Designated Funds:**

Comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

**Revenue: Unrestricted**

Within this group are:

<i>Collection purchase fund</i>	for additions to the collections.
<i>C &amp; E Admissions fund</i>	for the running costs and special projects associated with the HM Customs & Excise Museum.
<i>Academic Publications fund</i>	for the production of professional material.
<i>Miscellaneous</i>	for specific one-off revenue projects.

The source of these funds is both government department grant-in-aid and earned income.

**Capital Asset Funds: Unrestricted**

Within this group are:

<i>Capital reserve</i>	represents fixed assets transferred to NML. This came into being with the transfer of assets upon the abolition of Merseyside County Council.
<i>Deferred government grant</i>	for the purchase and development of fixed assets. The source of this fund is government department grant-in-aid.
<i>Deferred government grant ITF</i>	a fund with a finite life created to reflect the special grant-in-aid assistance provided by the DCMS to address the clearance of asbestos specific to the NMGM ITF project.
<i>General capital</i>	for the purchase and development of fixed assets. The source of this fund is earned income.
<i>NMGM ITF</i>	for the purchase and development of fixed assets specific to the NMGM ITF project. The source of this fund is transfers from the General fund.

**Unrestricted General Funds:**

Comprise funds available for use of the Trustees in furtherance of the general objectives of NML.

**Restricted Funds**

Are funds subject to specific restriction imposed on them by donors or by the purpose of the appeal.

**13 Statement of Funds (cont'd)****Revenue: Restricted**

Within this group are:

<i>Collection purchase fund</i>	for additions to the collections. The source of this fund is charitable donations and investment income derived from unconsolidated separate trust funds.
<i>Development fund</i>	for the financing of running costs of projects, curatorial activities and the museums and galleries exhibitions programme. The source of the funds are grants and charitable donations.
<i>Lottery Lutyens fund</i>	for the restoration of Edwin Lutyens model of the Liverpool Catholic Cathedral. The source of this fund is the Heritage Lottery Fund.

**Capital Asset funds: Restricted**

Within this group are:

<i>NMGM ITF lottery</i>	for the purchase and development of fixed assets specific to the <i>NMGM ITF</i> project. The source of this fund is the Heritage Lottery Fund.
<i>NMGM ITF ERDF</i>	For the purchase and development of fixed assets specific to the <i>NMGM ITF</i> project. The source of this fund is the European Regional Development Fund.
<i>Development fund/ Development fund ITF</i>	for the purchase and development of fixed assets, including the <i>NMGM ITF</i> project. The source of this fund is charitable donations.

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

Fund balances at 31 March 2006 are represented by:

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total £000</b>
Tangible fixed assets	103,914	68,443	172,357
Net current assets excluding cash	-54	0	-54
Cash	4,832	1,877	6,709
Unrealised gains included above:			
On tangible fixed assets	<u>7,736</u>	<u>1,160</u>	<u>8,896</u>

**15 Customs & Excise National Museum**

The Trustees of NML act as custodians and Trustees of the collections that constitute the National Collections of the Board of HM Revenue and Customs (HMRC).

Possession of the National Collection has passed to NML under a deed of trust which allows NML to hold and display the National Collection for a period not exceeding 21 years from April 1994.

NML receives from the HMRC an annual Grant-in-Aid which allows the National Collection to be displayed and interpreted alongside NML's other national collections. Payments by HMRC in respect of grant-in-aid are made from the HM Revenue and Customs Resource Account for 2005/06 which is audited and published separately.

Transactions in respect of the museum are shown within the Restricted Income and Expenditure Funds.

**Capital Grants**

The development of the permanent gallery and associated facilities has taken place with the assistance of capital grants from HMRC. These grants are held within restricted funds and are applied as authorised expenditure is made.

**15 Customs & Excise National Museum (cont'd)**

The funding position as regards capital Grant-in-Aid is as follows:

<b>Application of Funds</b>	£000
Total funds received as at 1 April 2005	853
Funds received in year	155
<b>Total funds received as at 31 March 2006</b>	<u>1,008</u>
Funds applied as at 1 April 2005	-828
Funds applied in year	-30
<b>Funds applied as at 31 March 2006</b>	<u>-858</u>
<b>Unapplied capital funding at 31 March 2006</b>	<u>150</u>

NML has been awarded further capital funding from HM Revenue & Customs in order to complete and replace the existing contemporary gallery. NML has designated £61,000 as matching funding.

**Running Cost Grant-in-Aid**

NML receives an annual Grant-in-Aid in respect of the running costs of the National Museum. The grant also covers the conservation of collection items and purchases for the collection.

<b>Application of Funds</b>	£000
Unapplied funds as at 1 April 2005 restated	5
2005-2006 Grant-in-Aid	335
Repayment of b/f balance	-2
Total Available GiA Funds	<u>338</u>
Funds applied to the running of the museum	-324
<b>Unapplied funds as at 31 March 2006</b>	<u>14</u>

Running cost Grant-in-Aid is agreed on an annual basis with HM Revenue & Customs.

**16 Gower St Estates Ltd.**

NML is a member of Gower Street Estates Limited (GSEL) a company formed to manage the areas within the Albert Dock formerly managed by the Merseyside Development Corporation (MDC).

GSEL is a company limited by guarantee, the other members being the lessees within the Albert Dock Estate also affected by the abolition of the MDC, together with new lessees within the estate.

The company is managed by a Board of Directors all of whom are appointed by the members. NML's nominated director is J Hendry, ARICS. Directors of the company are not remunerated.

There are no employees of the company, the practical management of the estate being delegated to CB Richard Ellis.

The gross expenditure of the company is netted down by any income generated, with the residual amount being covered by a service charge to members calculated by reference to an agreed cost sharing formula.

NML's contribution for the year, under this arrangement, was £74,259.

**17 Capital Commitments**

The Trustees are developing a capital programme having a potential value of some £84m, deliverable over the period 2005/06 to 2009/10.

Within this programme £74.2m of expenditure has been approved, of which £13.8m has been contracted for.

**18 Cash flow information****Reconciliation of net incoming resources to net cash inflow from operating activities**

	<b>2006</b>	2005
	<b>£000</b>	£000
Net incoming resources before revaluations	<b>1,278</b>	7,002
Depreciation	<b>6,390</b>	3,753
Interest received	<b>-245</b>	-232
Gifts	<b>-268</b>	-1,594
Decrease/(Increase) in stocks	<b>-20</b>	28
Decrease/(Increase) in debtors	<b>1,225</b>	-1,543
Increase in creditors	<b>41</b>	73
Net cash inflow from operating activities	<b>8,401</b>	7,487

**Reconciliation of net cash flow to movement in net funds**

Increase in cash in the period	<b>444</b>	192
Movement in net funds in the period	<b>6,265</b>	6,073
Net funds at 1 April	<b>6,709</b>	6,265
Net funds at 31 March	<b>6,709</b>	6,265

**Analysis of net funds**

	1-Apr 2005 £000	<b>Cash Flow £000</b>	<b>31-Mar 2006 £000</b>
Cash	<u>6,265</u>	<u>444</u>	<u>6,709</u>

**19 Related Party Transactions**

National Museums Liverpool (NML) is a Non-Departmental Public Body whose parent department is the Department for Culture, Media and Sport (DCMS). The DCMS is regarded as a related party.

In the year ended 31 March 2006:–

**Of NML's Trustees:**

Sir Neil Cossons OBE is Chairman of English Heritage.

Bryan Gray MBE was Chairman of the Northwest Development Agency, which has made grants to NML.

Lloyd Grossman OBE was Chairman of Culture Northwest, a director of NML Trading Limited, and Deputy Chairman of the Liverpool Culture Company Ltd.

Alexis Redmond was a member of the St George's Hall Liverpool Trust.

Councillor Mike Storey (retired as NML Trustee 31.01.06) was the Leader of Liverpool City Council.

**NML's Director**, Dr David Fleming OBE, was a board member of the Bluecoat Arts Centre, the Mersey Tourism Board, the North West Cultural Consortium and a trustee of St George's Hall. He is a member of the Steering Group for Liverpool's World Heritage Site and Chairman of the Liverpool Heritage and Regeneration Advisory Group. He is a working group member of the 2007 Bicentenary of the abolition of the Slave Trade Advisory Group and a member of the DCMS Understanding the Future Working Group. He is a member of the Renaissance Reference Group of the Museums, Libraries and Archives Council, an external examiner for the University of Leicester's Department of Museum Studies and a cultural heritage representative for the Sector Skills Council's Creative Apprenticeships Task Force. He is a member of the Advocacy Committee of the National Museums Directors' Conference and Chairman of the NMDC's UK Affairs Committee. He is a council member of the International Council of Museums (ICOM) Advisory Council, President of the ICOM International Committee on Museum Management and a member of the ICOM Finance and Resources Committee. He is also a Committee member of the UK Culture Committee of UNESCO.

## **19 Related Party Transactions** *(cont'd)*

**Of NML's employees:** J Hendry was a Director of Gower St Estates Ltd, Dr J Edmondson was an officer and fellow of the Linnean Society of London and a councillor and member of the Botanical Society of the British Isles, R Emmerson was a Director of the Pilkington Glass Collection Trustee Company Ltd, S J Farr was a Director of the Sefton Park Palm House Preservation Trust, Ann Gleave was a Trustee of the E Chambre Hardman Trust, Janet Dugdale was a Director of the Museums Association and Open Eye Photography Ltd, Chris Clayton was a Director of Anoris Films Ltd and Julian Treuherz was a Director of Mere Hall Conservation Association Ltd and a Trustee of Lakeland Arts Trust, Françoise McClafferty is secretary of the Visitor Studies Group and communications secretary to INTERCOM.

**During the year NML received grants from the following public sector bodies:** The National Art Collections Fund, the National Heritage Memorial Fund, the Heritage Lottery Fund, the Museums, Libraries and Archives Council (formerly Resource), the Northwest Development Agency, the DCMS Wolfson Museum and Gallery Improvement Fund, the Liverpool City Council, and the Millenium Commission.

## 20 Connected Charities

Nine charitable trusts are connected to NML via a commonality of trusteeship and a close association of charitable purpose. The earliest of the trusts was created in 1873 and all of them predate the formation of NMGM in 1986. The trusts have a distinct legal existence and this is not at the command of NML.

**The 2005-06 accounts of the trusts have not therefore been consolidated with those of NML. As such they do not fall within the remit of the Comptroller & Auditor General's audit opinion. They have, however, been separately audited by MacFarlane & Co.**

The funds are pooled into expendable capital and non-expendable capital categories as authorised by the Charity Commissioners.

The accounts of the connected charities for the year ended 31 March 2006 are summarised as follows:

### Income Account

	<b>2006</b>	2005
	<b>£000</b>	£000
Gross income	<b>85</b>	80
Administration expenses	<b>-4</b>	-4
<b>Net distributable income</b>	<b>81</b>	76
The net distributable income has been applied as follows:		
NML Operating Expenses	<b>46</b>	44
Collection Purchase Fund	<b>35</b>	32
Temporary Exhibition Gallery at Maritime Museum	<b>0</b>	0
<b>Application of distributable income</b>	<b>81</b>	76

### Capital Account

	<b>Total</b>	<b>Non</b>	<b>Expen-</b>	Total
	<b>2006</b>	<b>Expen-</b>	<b>dable</b>	2005
		<b>Capital</b>	<b>Capital</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
<b>Capital accounts as at 1 April 2005</b>	<b>2,070</b>	1,697	373	1,942
Net profit/(loss) on sales in year	<b>30</b>	25	5	0
Surplus/(deficit) on revaluation to 31 March 2006	<b>311</b>	230	81	141
Fees associated with capital accounts	<b>-14</b>	-11	-3	-13
<b>Capital accounts as at 31 March 2006</b>	<b>2,397</b>	<b>1,941</b>	<b>456</b>	2,070

The capital funds are managed by the Trustees in conjunction with Rathbones Investment Management.

There have been no capital withdrawals during the year.

An amount of £50,000 remains unapplied in respect of a disinvestment of the Gladstone Bequest Capital in 1999. The unapplied amount is held by the Trustees of the National Museums Liverpool and will be applied in 2006/07 to the new capital programme at the Maritime Museum.



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