

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to Museums and Galleries Act 1992, c.44, para 9(8)

Victoria and Albert Museum Annual Report and Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20th JULY 2006

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Contents

	Page
Annual Report	2
Financial Review	17
Remuneration Report	19
Statement on Internal Control	20
Annexes	
A: Extract from DCMS/V&A Funding Agreement 2005-06 – 2007-08	23
B: Summary of V&A key strategic objectives and 2010 outcomes	27
C: V&A Management staff and structure	28
D: Organisational structure	30
E: Legal and administrative information	31
F: Supporters	32
Statement of Trustees' and Director's responsibilities	39
The Certificate and Report of the Comptroller and Auditor General	40
Financial Statements:	
Consolidated Summary Income and Expenditure account	42
Consolidated Statement of Financial Activities	43
Consolidated and Museum Balance Sheet	45
Consolidated Cashflow Statement	46
Notes to the Consolidated Financial Statements	47

Annual Report

Brief history and constitution

The V&A is Britain's national museum of art and design. It was founded in 1852 as the Museum of Manufactures (at Marlborough House), was renamed the Museum of Ornamental Art in 1853 and opened as the South Kensington Museum in 1857. Queen Victoria conferred the name "Victoria and Albert Museum" in 1899.

The V&A was part of the Government's Department of Education and Science and operated under the auspices of an Advisory Council until 1 April 1984 when it acquired Trustee status with the passing of the NHA. The V&A is currently sponsored by the DCMS. The Museum's Board of Trustees is answerable to the Secretary of State for Culture, Media & Sport for the policies and performance of the Museum. The Minister is, in turn, answerable to Parliament. The Director of the V&A is accountable both to the Board as Chief Executive and to the Secretary of State as Accounting Officer.

In addition to the main South Kensington site the V&A has, at various times, held responsibility for several other buildings and collections. Today the V&A comprises a family of museums that includes the V&A at South Kensington, the V&A Museum of Childhood at Bethnal Green and the V&A Museum of Performance in Covent Garden. It also operates an accessible archive and store at Blythe House in West London (jointly run with the British Museum and the Science Museum) and a store at Kirtling Street, Battersea.

The purpose of the V&A is to enable everyone to enjoy its collections and explore the cultures that created them; and to inspire those who shape contemporary design.

Structure, Governance & Management

The V&A is governed by the National Heritage Act 1983 (NHA). The NHA was modified and repealed to some extent by the Museums and Galleries Act 1992, but this did not materially affect the status of the Museum.

The V&A is a non-departmental public body sponsored by the Department for Culture, Media and Sport, and is a charity exempt from registration under the Charities Act of 1993, and its investments are governed by the Trustee Act 2000.

Appointments to the V&A Board of Trustees, including that of the Chairman, are made by the Prime Minister following the DCMS process for recruiting 'upper tier' public appointments. Appointment to the Board is governed by selection on merit, on the basis of equality of opportunity for all, and is subject to monitoring by the Commissioner for Public Appointments. There is one ex officio member of the Board, the Rector of the Royal College of Art; currently Professor Sir Christopher Frayling.

On appointment, Trustees are provided with a Trustee Handbook that gives information on the V&A, outlines the roles and responsibilities of Trustees and senior staff, and refers to other guidelines on public service and conduct of public appointees. New Trustees are personally introduced to their role by the Chair of Trustees, the Director and Deputy Director, involving other V&A staff as necessary. DCMS also provide a booklet for Board members of its NDPBs and invites new Trustees to an introductory meeting. During 2005/06 the V&A revised the Trustee Handbook and planned a workshop on Trustees' role and responsibilities: both of these were launched in May 2006. During 2006/07 the Museum will review Trustee induction procedures and continuing training and development needs.

The V&A Board is a body corporate, analogous to the board of a company, with between 12 and 20 members; there are currently 14. Trustees serve an initial term of up to four years and are, in theory, eligible for re-appointment without limit. In reality, however appointments are restricted to serving two terms or a total of no more than 10 years. Trustees are not remunerated but are able to claim expenses.

The V&A Board of Trustees has the following general functions under the NHA:

So far as practicable and subject to the provisions of this Act, the Board shall –

- (a) care for, preserve and add to the objects in their collections,*
- (b) secure that the objects are exhibited to the public,*
- (c) secure that the objects are available to persons seeking to inspect them in connection with study or research, and*
- (d) generally promote the public's enjoyment and understanding of art, craft and design both by means of the Board's collections and by such other means as they consider appropriate.*

The V&A has a close relationship with the Friends of the V&A (charity no. 272056), but does not have any control over its Board.

The V&A co-operates with a wide range of charities and organisations in furtherance of its aims and objectives. Some of these are referred to in the text under the Museum's strategic objectives, but there are too many to list individually.

Strategic Plan

In 2005/06 the V&A agreed a Strategic Plan covering 2005 to 2010. Organised by the four key strands of Museum's activity, it states the outcomes the Museum wants to achieve by the year 2010 and outlines the short-term (2005/06 – 2006/07) and medium-term (2007/08 – 2008/09) milestones that mark the route towards these goals. These are mapped against key performance indicators. Clearly, the short-term activities can be given in more detail. The Plan was updated for 2006/07, reporting briefly on 2005/06 and bringing into focus the Museum's plans for 2006/07. This Annual Report follows the same scheme of four strands of V&A activity and key strategic objectives (table 1). A more detailed summary is at annex B.

Table 1: V&A key strategic objectives

Strand	Strategic objective
A. Access & Audiences	To provide optimum access to collections and services for diverse audiences, now and in the future
B. National & International	To be acknowledged and respected as the world's leading museum of art and design
C. Creative Design	To promote, support and develop creativity in individuals and in the economy
D. Efficiency & Effectiveness	To operate with the greatest possible financial and organisational efficiency

The Museum's planning is closely tied to the Funding Agreements with the Department for Culture, Media & Sport (DCMS). These formal agreements set out what the V&A will do to help DCMS achieve its strategic goals and targets in return for the public money received as Grant in Aid (GIA). The performance measures and targets are described below. Funding Agreements nominally cover three financial years, though the last year of each is usually superseded by the first year of the subsequent one. During 2005/06, negotiations took place over a new Funding Agreement to run from 2005/06 to 2007/08. It will be signed off by the Minister for Culture, V&A Chairman and the Director of the V&A as early as possible in 2006/07. The Funding Agreement contains a summary of how the V&A contributes to Public Value in the terms prescribed by DCMS (annex A). This includes a note of how the V&A solicits the views of users and citizens. It is expected that this Funding Agreement will run its full course as funding arrangements will not be changed until the Government's Comprehensive Spending Review in 2007.

It is difficult for corporate documents to cover all – or even most – of what goes on in the V&A. It would be impossible to represent adequately the contribution that each person and department makes. This is especially true of the core tasks that comprise most day-to-day work. Nevertheless, it must be understood that all of the work specifically mentioned in this Plan – and the V&A's reputation as the foremost museum of art and design in the world – is underpinned by a lot of hard work by a lot of people who look after the Museum collections, buildings, resources, staff and visitors.

Access & Audiences

Objective: To provide optimum access to collections and services for diverse audiences, now and in the future.

The fact that the V&A Museum's London sites received fewer visitors than in the previous year cannot be ignored (2.47m in 2004/05; 2.195m in 2005/06, or -11%). However, there are concrete reasons for this, some of which were within the Museum's control and some of which were not. On the whole, the V&A was pleased with the way that actual visit numbers held up in a difficult year.

Firstly, the Museum of Childhood (MoC) closed in October 2005 for a year-long redevelopment project, phase 2 of its long-term strategy. Five months closure cost the V&A c. 110,000 visits, but temporary closure was considered preferable to a much longer period of disruptive building works. While the Museum is closed, some of the highlights from its collections will be on show at Hackney Museum (March-July 2006) and there is an active outreach programme of teaching in schools. The MoC looks forward to re-opening in late 2006 with much improved facilities and capacity.

Secondly, London was subject to two bomb attacks in July 2005. Aside from the immediate and tragic consequences, there was a catastrophic decline in both domestic and foreign tourist visits to London. School and family visits were especially affected, so visits by children decreased dramatically. Most large London museums and galleries experienced a sudden and dramatic drop in visits and the effects continued into 2006. This was also

the case at the Museum of Performance¹ (MoP) and MoC (pre-closure), but the picture was rather more complex at South Kensington. The estimated total "visitor cost" of the bombings to the V&A was in the region of 220,000 visitors lost. However, a strong public programme and, especially, opening of the Madejski Garden in July, counteracted the effects of the bombings to some extent.

Finally, at South Kensington, large-scale redevelopment works took place in some of the most prominent public spaces and thoroughfares under the long-term scheme called FuturePlan, and a number of galleries were closed for security reasons. The impact of these factors on visitors is hard to quantify, but the Museum was undeniably less welcoming and appealing than it would have wanted. Fortunately, improvements were already becoming manifest in 2005/06, with the opening of the Madejski Garden by HRH Prince Charles in July and the opening of the new Sacred Silver & Stained Glass Galleries in November. Also, the Medieval Treasury was transformed into a splendid new Shop (opened March) and new galleries for Sculpture in Britain will open in rooms 22-24 in May 2006. The first phase in a comprehensive programme of security improvements meant that most of the closed galleries re-opened within the year.

But the V&A is more than the three London Museums and the Archives/study collections at Blythe House. Collections and expertise are made accessible through touring exhibitions and loans and through the internet.

Here the V&A achieved resounding success. 917,600 visits were made to V&A touring exhibitions worldwide (see also National & International). V&A objects loaned for other organisations' exhibitions are seen by millions of visitors. The Museum's websites began to attract over one million visits per month, achieving 11.58 million in the year. This meant that the original 2010 target of 10 million web visits annually had already been surpassed. In addition, print publication is a highly significant route for access. Museum staff contribute to over 100 publications per year and in 2005/06 V&A Publications published nine new titles and six new paperback editions of existing titles.

The success of the Museum's websites (including each of the Museum sites, plus those for the National Art Library, V&A Enterprises (VAE), and Every Object Tells A Story) is to a large extent attributable to an Online Museum (OLM) strategy of providing rich, innovative and participative content closely aligned with public programmes, and improving the way people do business with the Museum electronically. The MoC site was re-launched in October with new branding and content and visits nearly quadrupled (October 2005 – 35,500; October 2004 – 9,000). The VAE shop site was also re-launched in April 2005. In March, online ticketing was introduced for non-exhibition events. Other OLM highlights included the first podcast by a museum in February, new microsites, new teaching and learning resources, 1,313 new records and 800 object descriptions additions to Search the Collections (formerly Access to Images), a family newsletter, an artist-in-residence blog and opportunities for users to exchange views and give feedback: overall, content was increased by 10,000 pages (bringing the total to 92,000) and a number of improvements were made to functionality.

The V&A is committed to increasing diversity throughout its operations by implementing its Access, Inclusion & Diversity (AID) Strategy. This, of course, informs the public programme in which many special programmes and events are targeted at specific audiences (e.g. families, students, schools, creative industries) and under-represented groups (e.g. Black and ethnic minority communities, lower socio-economic groups, disabled people, socially excluded people). It also includes Museum personnel, processes and operations. A key element is consultation with stakeholders to ensure that services meet needs and expectations. For example, the staff disability forum meets every two months and the Museum liaises with the Pathways to Learning Project for people with learning disabilities in Kensington and Chelsea. During 2005/06 extensive iterative research was carried out with visitors as part of key FuturePlan gallery projects, with results feeding into the development of interpretation strategies for the Medieval and Renaissance, Jewellery, Islamic Middle East and Ceramics Galleries. This will continue in 2006/07 with post-opening research for the Islamic Middle East Gallery and continuing development work for the others. The V&A also plans to invest in highly focused work with particular audience groups in order to better understand how they use the Museum, beginning with visitors from the creative industries.

The flagship of the AID Strategy is the three-year, Museum-wide, HLF-funded project Capacity Building and Cultural Ownership, which began in 2005/06. There are three strands:

- 'Hidden Histories' – Object research and collections development relevant to diverse contemporary communities;
- 'Access, Social Inclusion and Cohesion' – Gallery development, public programme, web development and outreach to encourage intercultural understanding and attract new audiences; and
- 'Capacity Building and Cultural Ownership' – Training initiatives to strengthen skills among Black and ethnic minority individuals and sectors, and to encourage partnership between mainstream and non-mainstream organisations.

¹ To be consistent with the first Strategic Plan 2005-2010 document, 'Museum of Performance' is used throughout this document, even though 'Theatre Museum' continues to be widely used.

Seven staff were appointed in the Learning & Interpretation Division (L&I), Research, MoC and Training & Development to lead these initiatives. A wide range of projects involving many partners and extensive consultation were well underway by the end of 2005/06. There are too many to list here, but they included a weekend of events for the opening of the Sacred Silver & Stained Glass Galleries; days of African fashion, music and an African Bazaar in the Garden for Africa 2005; Carnival parade in Exhibition Road and display of costumes; participation in the Lord Mayor's Mela; celebration of Chinese New Year; MoP's recording of Tricycle Theatre's Gem of the Ocean; training local researchers for MoC's World in the East End gallery project; initiating focus groups to feed into collections interpretation. The Museum also ran the popular annual competition for part-time adult learners, Inspired By. The V&A participated in several partnership projects designed to increase the diversity of the heritage sector workforce, hosting 12 'Global Graduates' placements in 2005/6 and a two-year 'Inspire' Fellowship from November 2005 (with Arts Council England).

The Museum also made progress in implementing its Disability Action Plan, for instance by introducing more assistive technology, training staff in British Sign Language, extending the range of talks and events for people with visual, hearing or mental impairment, and improving physical access. The V&A was praised on Radio 4's 'In Touch' programme as having "the most ambitious programme of mainstreaming, or allowing blind and partially sighted people or disabled people, really to integrate into the mainstream of the visual experience". The programme also highlighted the confidence-building aspects of MoP's clowning workshops for visually-impaired children.

One of the big issues facing the V&A in 2006/07 is the future of the MoP. The second bid to the Heritage Lottery Fund for redevelopment at the Covent Garden site was unsuccessful. Therefore, a review of options was considered by the Board of Trustees in March 2006. After a concentrated period of widespread consultation, a decision on the way forward will be taken in July/August 2006.

Summary of key points in plans for 2006/07

- MoC re-opens November 2006.
- Temporary exhibitions programme that aims to blend scholarship with popular appeal:
 - Modernism: Designing A New World 1914-1939*
 - Leonardo da Vinci: Experience, Experiment and Design*
 - At Home in Renaissance Italy*
 - James 'Athenian' Stuart*
- Introducing themed 'seasons' in the peak tourist periods of summer and Christmas:
 - Sixties Summer*
 - Leonardo da Vinci*
- FuturePlan projects (South Kensington):
 - Jameel Gallery, the new Islamic Middle East gallery, opens July*
 - New Contemporary Space*
 - Begin work on new Education Centre*
 - Adapt gallery 94 for temporary display*
 - Short-term improvements to the Fashion Court*
 - Develop brief for new temporary exhibition spaces and Fashion Quarter on Boilerhouse Yard site*
 - Progress on other major projects: Medieval & Renaissance Galleries; Ceramics Galleries; Jewellery Gallery*
- OLM Invest to Save project: consortium of ten national museums, galleries and archives to increase access to, and use of, existing web resources, especially by schools.
- AID Strategy and the Capacity Building and Cultural Ownership project: commemorate the bicentenary of the 1807 Parliamentary bill that outlawed British slave trading:
 - Exhibition – Uncomfortable Truths: The Shadow of Slavery on Contemporary Art and Design.*
 - Conference – From Cane Field to Tea Cup: The Impact of the Transatlantic Slave Trade on Art and Design*
 - Museum trails*
- Review of storage

National & International

Objective: To be acknowledged and respected as the world's leading museum of art and design

The V&A is an international organisation, reaching people around the world through touring exhibitions, the internet, tourist visits and sales of books and products. In order to maximise the impact of such activity, the V&A agreed an International Strategy in September 2005. Its objectives are to raise the profile of the V&A, London and the UK overseas in order to promote access, tourism and the creative economy, and to generate income for the Museum. Some aspects of implementation were already underway in 2005/06 – the V&A already has an active international touring exhibition programme, successful commercial ventures such as licensing and publishing, and widespread professional links – and detailed work on the business case and infrastructure began in order to facilitate continued progress. In particular, the V&A has worked with the British Museum and British Library to promote cultural advocacy.

China – the world's fastest-growing economy – is an area with which the V&A especially wishes to engage. The Director of the V&A visited China in September 2005, accompanying the visit by the Prime Minister. This affirmed the Museum's commitment to multi-faceted collaboration with a number of Chinese institutions, including the National Museum of China and the Capital Museum in Beijing. The V&A showed the original and exciting exhibition, *Between Past and Future: New Photography and Video from China* (September 2005 – January 2006) and a supporting Chinese language microsite was added to the OLM (as was visiting information in Chinese). In July the V&A received the first official group of Chinese tourists since Britain was awarded Approved Destination status by China. In November 2005 the Head of Learning Services took part in a two-week cultural heritage mission to China funded by the Department of Trade & Industry and organised by the China Britain Business Council. Three staff from V&A Enterprises (VAE) led a three-day seminar on 'Managing and Exploiting Your Assets' in Beijing in March/April 2005. It was organised by the Capital Museum and attended by c. 45 people from museums and organisations throughout China. VAE signed an accord with the Capital Museum, pledging continuing support and advice on image management. Plans are progressing for the major co-operative project, *China: Design Now*, with the Cultural Academy of Fine Arts, Beijing, and the V&A is also becoming increasingly involved with planning for the world Expo event in Shanghai in 2010. During 2005 it became clear that the large-scale property development in West Kowloon – in which there had been potential for V&A input – would not proceed on the original terms and the V&A is unlikely to have any involvement in it.

The V&A continued to cement relationships at various levels with several other organisations in different countries including: the Dr. Bhau Daji Lad Museum in Mumbai, the Louvre, the Kremlin Museum, the Thailand Creative and Design Centre, Bangkok, the High Museum of Art, Atlanta, and the Fine Arts Museums of San Francisco. A long-term V&A-led research project on the history and conservation of lacquer, focusing on the V&A's magnificent 'Mazarin Chest' involves curators, conservators, scientists and PhD students in Japan, Poland and Germany, as well as UK universities. The V&A has also been a key partner in a trans-national web project with Museum With No Frontiers, contributing to a website called 'Discover Islamic Art <www.discoverislamicart.org>.

Four major international touring exhibitions were shown in 11 venues in Japan, North America, China and Germany and attracted 616,700 visits. *Art Deco* has now been seen by well over one million visitors. *Vivienne Westwood* was seen by 145,000 people in just seven weeks in Taipei, where it was voted the Best Exhibition in Taiwan. In total *Vivienne Westwood* has been seen by over 500,000 people overseas and will also travel to at least three further international venues before its tour ends in Sheffield. It is an extremely successful showcase for British culture and creative talent.

UK activity focused on the strategic UK Partnership with five regional museum services: Sheffield Galleries & Museums Trust (SGMT), Tyne & Wear Museums, Manchester City Galleries, Birmingham Museums and Art Gallery, and Brighton & Hove Galleries & Museums. The core project was the third year of *Image & Identity*, in which NCH, the children's charity, is also a key partner. Programmes of creative workshops, displays and performances at each of the Partner venues culminated in an exhibition of participants' work and a young people's conference at the V&A in March 2006. *Image & Identity* was funded by the DfES and DCMS, the Paul Hamlyn Foundation and the Lloyds TSB Foundation for England and Wales. Government funding to the V&A partnership was confirmed for 2006/07 and it is hoped that it will be committed for 2007/08. Some of the UK Partners also continued to participate in the Culture Online project, *Every Object Tells a Story*, and the adult learning project, *Inspired By*. Among the UK Partners, SGMT is closest to the V&A, a contractual relationship having existed since 1999. The highlight in 2005/06 was the opening by the Culture Minister, David Lammy, of the international touring exhibition, *Palace and Mosque: Islamic Treasures of the Middle East* from the V&A at Sheffield's Millennium Galleries in January 2006. This also marked the launch of the regional festival of Muslim culture. HRH Prince Charles also paid a special visit. Attendance, at 19,000, far surpassed predictions.

The other model of national partnership that the V&A champions is Subject Specialist Networks (SSNs), whereby communities of interest collaborate in the sharing of collections, information, skills and expertise. The V&A successfully led bids for three grants from the Museums, Libraries & Archives Council (MLA) to explore the potential for SSNs in the fields of fashion, Himalayan collections and design. A more substantial MLA grant enabled a project on the documentation of performance to be realised, led by the Museum of Performance on behalf of the Theatre Information Group. In addition, the V&A participated in several other SSNs initiated by other organisations.

The V&A's national working is not exclusively reserved for UK Partners: six touring exhibitions went to 14 venues from Sunderland to Bristol, and ten of these attracted 300,800 visits (the remaining four bridge other reporting years).

Other activities include schools outreach, conservation science stands at Royal Society of Chemistry roadshows, conservation science summer school, technical staff from National Museums Liverpool participating in NVQ programmes, and numerous examples of advice and professional support. Although the V&A does not have regional outstations, it is responsible for an important group of furniture and tapestries that remain in situ at Houghton Hall, Norfolk, and a major long-term programme of conservation work on these was begun in 2005.

The MLA/V&A Purchase Grant Fund (PGF) made 188 grants to 104 museums, galleries and specialist libraries/archives throughout England and Wales, enabling the purchase of objects for regional organisations' collections worth £3,950,300. The PGF granted £1,000,900 in total but received applications for twice that amount. Fifteen deserving cases were rejected and 97 grants were reduced due to lack of funds. The Fund has remained static since being reduced to £1 million in 1995. Discussions were opened with MLA on campaigning for increased funding for the PGF, within the wider context of developing the nation's collections and expertise.

Success in national and international terms must be sustained through excellence. The Museum's primary resource is its collections, which are continuously developed through acquisition and research. The Museum spent only £433,000 on acquiring objects for the collections, but their value totalled £2,248,000: the balance was met through donations, gifts and acceptance in lieu of taxes. Some major acquisitions are given below (Box 1). Nevertheless, the Museum frequently faces difficulties in acquiring at the level it should on behalf of the nation. In particular, artefacts of special national significance whose export has been deferred by the Secretary of State are often too expensive for the Museum to acquire and risk being removed from public display or leaving the UK.

Box 1: Acquisition highlights 2005/06

Oak coffer made for William Beckord, c.1831-41

Made from solid and veneered oak with gilt-bronze, and a glazed door opening on a silk-lined interior.

Silver-gilt beaker with a merchants mark in holly leaf surround, 1496-7

The second earliest surviving piece of English hallmarked hollow-ware known and a rare example of a pre-1500 personal English drinking vessel.

Three silver teapots designed by Christopher Dresser, 1878-9

Each of the three teapots is radical and iconic in design, and transform the the V&A's collection of Dresser metalwork into the most important of any public collection anywhere in the world.

How users experience the V&A contributes to the Museum's national and international status. FuturePlan is an essential part of this, and completed projects are mentioned in other sections. In addition the V&A is part of a consortium – led by the Royal Borough of Kensington & Chelsea – planning the development of the Exhibition Road area. It is hoped that the area will form the western 'Gateway' to London under plans for the Olympics 2012 and a bid was submitted to the Big Lottery Fund in January 2006. Growing out of this wider Exhibition Road project, but independent of it, the diverse cultural institutions of the area formed the Exhibition Road Cultural Group in order to generate and co-ordinate events and feed into the London Olympics planning. The participating institutions celebrated a Music Day in June 2005 and collaborated over Black History Month programmes. In 2005, the Group achieved charitable status, which enables it to apply for funding in its own right.

The Front-of-House staff are important to visitors' experience of the Museum. A programme of training and development has been developed for staff, leading to a National Vocational Qualification (NVQ): in October 2005 and 22 Front-of-House staff completed NVQs, as did 14 Technical and Curatorial staff. The V&A was accredited as an NVQ Assessment Centre. This is part of a comprehensive programme of staff training and development that is increasingly made available to the rest of the sector and beyond. Staff from National Museums Liverpool enrolled on the Technical NVQ in 2005/06 and discussions are underway with several of the UK Partners.

Summary of key points in plans for 2006/07

- The Olympic Games will influence the Museum's programme in two main ways:
 - 2008 Beijing Olympics and celebration of Chinese culture: China: Design Now major exhibition; displays on Sport and Contemporary Fashion; and an exhibition of Olympics posters.*
 - Supporting the Exhibition Road development scheme and participating in the Exhibition Road Cultural Group.*
- Build strong and lasting relationships in China:
 - 2008 Beijing Olympics as above*
 - Display: Dragons and Immortals*
 - World Expo in Shanghai in 2010: major exhibition on the history of international expositions to be staged at the Expo in 2010; participate in planning UK presence at Shanghai Expo 2010.*
- International touring exhibitions:
 - International Arts and Crafts to San Francisco*
 - Vivienne Westwood to Düsseldorf, Thailand and San Francisco*
 - Cinema India to Melbourne*
 - Modernism to Germany and Washington DC*
- UK touring exhibitions:
 - Radiant Buddha to Exeter*
 - Cinema India to Hull*
 - Palace & Mosque to Sheffield*
 - Black British Style to Sunderland, Birmingham and Leicester*
 - Must-have Toys to Exeter, Northampton and Southshields*
 - Khel: Toys from India to Oldham and Cheltenham*
- Major short-term loans:
 - Indian Temple Sculpture: Art and Devotion (Spain)*
 - Constable (UK, Australia and New Zealand)*
 - Greek lace and embroidery (UK and Athens)*
- FuturePlan projects (South Kensington):
 - New cafes*
- UK Partnership:
 - Image & Identity*
 - Inspired By*
 - Touring exhibitions*
 - Staff development*
- Subject Specialist Networks:
 - Sustain existing SSNs*
 - New SSNs (tbc): contemporary metalwork, Chinese collections; beds.*
 - Bid for implementation grants from Museums, Libraries & Archives Council.*
- Research:
 - Two AHRC CDA research awards: with the RCA on "Craft: History, Theory and Practice"; and with UCL on the 19th century book.*
 - Review of research activity and priorities*

■ Battersea Power Station development:

First feasibility study completed

■ Acquisitions for the collections:

Through the China: Design Now exhibition; COLLECT fair; Olympic posters exhibitions International Expositions exhibition.

In alliance with other museums, galleries and funding bodies, campaign for increased public expenditure on acquisitions for public collections.

Creative Design

Objective: To promote, support and develop creativity in individuals and in the economy

Creativity and the creative industries were at the forefront of Government thinking in 2005/06, with influential reports being published by the Treasury² and the Department of Trade & Industry³. In response the DCMS established in the autumn of 2005 a Creative Economy Programme. The V&A Chairman, Paula Ridley, sits on the High Level Panel and the Museum is represented on three of the seven working groups. The Programme aims to "create the best framework to support the innovation, growth and productivity of the creative industries, including a joined up focus and coherence to those public projects that support them so that Britain may become the world's creative hub".

The V&A is well-placed to contribute to this initiative since it was founded to be a 'creative hub' in its own right – a place where art and design is shown and shared, debated and demonstrated, explored and experienced. Creativity is so fundamental to what we do, that it is easy to assume that everyone knows about it, and can be specious to pick out specific activities (see Access and Audiences). Nevertheless, the V&A recognises the need to continue to actively promote itself as a major resource, showcase and partner for the creative industries, as well as a source of delight and learning for all users.

How best to do this is under review, alongside examination of the place of the Contemporary in the Museum, led by the Director of Public Affairs. It was decided not to pursue the Creative Partners scheme as the proposed form was not considered viable. The Museum will, however, be more systematic in how it collects information on how it interacts with the Creative industries in order to inform decision-making and reporting. This includes, for example, commissioning of new works or facilitating access to the collections for researchers, as well as established, long-term, creative relationships such as that between Shakespeare's Globe Theatre and the Furniture, Textiles and Fashion Department. The third Creative Industries Party was held in September 2005, supported by Channel 4 and attended by 1,500 guests. A Contemporary Curators' forum was established to promote cross-departmental integration. A temporary staffing arrangement whereby the Contemporary Team were linked to the Exhibitions Department worked well and may provide a model for the future.

The Museum began discussions with the Crafts Council on the potential for a synergistic partnership. This could have several facets, but talks went into abeyance until the Crafts Council appointed a new Director. The V&A already hosts the Crafts Council's prestigious annual selling exhibition, COLLECT. The February 2006 show was the most popular so far (nearly 11,000 visitors) and the V&A acquired ten objects. The V&A's new Shop houses a changing display mounted by the Crafts Council, through which visitors can see and buy work by some of the foremost contemporary makers.

The V&A Shop itself, designed by Eva Jiricna, opened to great acclaim in March and immediately proved popular. To accompany the opening, V&A commissioned an exciting new product range called 'Cherry on the Cake'. Eighteen designers each contributed one item, taking their inspiration from the V&A collections and covering all types of product and prices, from wallpaper to jewellery and T-shirts to teacups.

The Museum itself is a showcase for design, using many designers and architects in FuturePlan and other projects. The Museum also commissions artefacts, such as the silver Bible cover by Rod Kelly (on a Bible designed by Bruce Rogers for Oxford University Press) for the Sacred Silver & Stained Glass Galleries (Whiteley Galleries), which opened in November 2005. The Galleries also display a contemporary glass and oak font by Colin Reid and a stained glass panel by Graham Jones that are prizes for, respectively, Artwork in Ecclesiastical Space and Religious Architecture in a scheme initiated by the Art and Christianity Enquiry Trust. A unique feature of the Prints and Drawings Study Room is a double-sided clock entitled Frozen Sky 2004, designed by the artists Langlands & Bell, and donated by Robert Breckman in memory of his wife Julie.

² The Cox Report: Cox Review of Creativity in Business: building on the UK's strengths; November 2005

³ DTI report: DTI Economics Paper No.15 Creativity, Design and Business Performance; November 2005

As well as the headline exhibitions, an eclectic programme of displays continued to highlight contemporary designers and makers, such as Jean de Charles Castelbajac (Popaganda), contemporary textile artists (Sue Lawty's Concealed – Discovered – Revealed; Penelope's Thread), young architects (AJ Corus 40 under 40), calligraphers/illuminators (St John's Bible), artists (Think and Wonder, Wonder and Think at MoC); Tom Gidley's Trajan's Reel at South Kensington). Regular and one-off events such as Fashion in Motion (Gianfranco Ferré, Anne Valérie Hash, Oswald Boateng and a group of African designers), Friday Lates, Style Lounge and the Village Fete also promoted contemporary talent and issues. February's Friday Late, Transvision was the most popular so far held with around 6,000 after-hours visitors. The V&A is a longstanding supporter of the Homes & Gardens Classic Design Awards. Among the 2005/06 were well-established names such as Jasper Conran and David Mellor, as well as relative newcomers like Peter Traag. The Museum also runs the V&A Illustration Awards and in 2005 these included a new category for Student Illustrator of the Year: it was won by Julianna Kasza and the overall winner was Jonathan Safran Froer.

The V&A aims to be the resource of choice for art and design. Its publications and websites make its resources available throughout the world. The weblog by artist-in-residence Sue Lawty was recommended by Edexcel for use by A and AS level students in art and design, and several packages of teachers' resources were added to the sites in 2005/06.

On site, 34.5% of visitors to South Kensington were practitioners, teachers in the Creative industries or students. The Museum is part of a consortium led by Brighton University that also includes the Royal Institute of British Architects and the RCA that, in April 2005, was awarded £5 million by the Higher Education Funding Council for England to establish a Centre for Teaching and Learning in Design. This will include research into digital technologies to support design students' learning. Three V&A-based posts will be appointed for the project in 2006/07.

Creativity is not just about looking and watching, but about participation, too. The V&A aims to stimulate and foster creativity for individual fulfilment, to contribute to the 'health' of the wider society and economy, and to sustain a discerning market for the products of the creative industries. Again, the internet facilitates this on a global scale and the V&A aims to set the standard for user-participation on museum websites. Over 14,000 contributors' designs for tiles were displayed on the International Arts and Crafts site and new areas were introduced that invite feedback from users.

Events and programmes run by Learning & Interpretation promote both informal, individual creativity and the Museum as a creative design resource. 49% of attendees at V&A conferences and symposia were professionals, educators or students in the creative industries, for instance at the 'Talking Design' series of lectures and debates and Style Lounge. Family events also proved extremely popular as enhanced marketing paid off, especially the 'Free Art Fun' holiday events: thousands of people joined in the 'Big Draw' events in October, with themes of Carnival and fashion, while 1,400 family visitors to the autumn half-term workshops designed key fobs using digital cameras.

The MoP used the performing arts as the basis for its programmes of student workshops and public events, including the Inside TheatreLand programmes of debate, workshops and singalongs. The TM website introduced more debate and discussion through a discussion forum, news and reviews pages and a link to TheatreVoice.

The MoC's Think and Wonder, Wonder & Think installation included contributions from several artists, including Cornelia Parker and Lali Chetwynd.

Summary of key points in plans for 2006/07

- *Modernism* exhibition and the associated events programme targeted at creative industry users. There will also be a BBC television series linked to the exhibition that will ensure a wide reach for the subject
- Contemporary programme:
 - Review completed in the summer of 2006*
 - New Contemporary Space*
 - Exhibitions and displays: Che Guevara: Revolutionary and Icon (part of the Sixties Summer programme), Twilight: Photography in the Magic Hour and the stage costumes of Kylie Minogue; Uncomfortable Truths; Friday Lates*
- Fashion in Motion:
 - Hardy Amies*
 - Contemporary French fashion*
- Shanghai Expo 2010
- CulturePlan phase 2

Efficiency & Effectiveness

Objective: To operate with the greatest possible financial and organisational efficiency

The V&A's own aspiration to efficiency and effectiveness was, as a DCMS-sponsored Non-Departmental Public Body, given added impetus by the widespread efficiency drive initiated by the 2004 Gershon Review of public services. The Museum agreed a three-year Efficiency Delivery Plan (EDP) with DCMS, covering both cash and non-cash savings. The efficiency savings in 2005/06 fell somewhat short of the target: £2.3 million against a target of £2.7 million. This was mainly because staffing savings – including from the Approved Early Retirement scheme – were not as high as anticipated. However, 2005/06 was the first year of a four-year programme and it is expected that this will be made up over the longer term. All appointments are scrutinised by the Staffing Committee and efficiencies are actively sought through continuous review. The second phase of the Gallery Services Review was due to start in 2005/06, but was postponed because the Security Review took precedence. The Gallery Services Review will be completed, but the timing has to be decided.

Other EDP projects completed in 2005/06 included:

- The staff of four departments based in rented office accommodation at 160 Brompton Road were re-located to South Kensington by September 2005;
- The new telephony system was in use by the end of 2005;
- An agreement with the Natural History Museum (NHM) for a new combined heat and power facility is due to be signed in May; it is the NHM that will enter a contract with a private contractor. The new system will reduce both carbon emissions and costs;
- Development of the MoC is covered under Access & Audiences, including the proposal to open seven days a week;
- Extending the reach of the OLM also comes under Audiences & Access: here it is noted that the cost-per-user decreased as the number of users outstripped targets.

IT is fundamental to Museum operations and essential to efficiency. 2005/06 was a mixed year. On projects, Purchase Authorisation and Commitment Estimation (PACE) was introduced to streamline purchasing; progress was made on the Digital Asset Management System (DAMS), the Core Systems Integration Project (CSIP) and Non-Exhibition Event Ticketing (NEET). Online recruitment was introduced in December 2005. Some investment was made in IT infrastructure, but periodic systems failures caused problems and frustration: IT is a priority for funding in 2006/07.

Security was high on the agenda following three thefts in 2004 and considerable sums were diverted to implement the first phase of improvements resulting from the Security Review. The V&A hosted the first security forum for London museums, galleries and archives with the Metropolitan Police in March 2006.

In addition, the Museum advanced several other measures to improve the way its collections are looked after. Rigorous documentation and tracking of objects is fundamental to efficient collections management and collections audit was a focus in 2005/06. The Conservation Department opened discussions with other organisations about extending collaboration on conservation facilities and scientific research. The climatic conditions in which objects are kept can now be monitored in real time across the whole estate (except Battersea store) following completion of the Object-Centred Environment Analysis Network (OCEAN). 68 staff received basic training in its use and more advanced training will follow. OCEAN facilitates moves towards greater carbon-efficiency (and, therefore fuel cost savings) in gallery operation as the effects of altering temperature and humidity can be monitored.

The Museum made further progress towards becoming a more environmentally efficient and sustainable organisation in 2005/06 by participating in the South Kensington Consortium (with NHM, Science Museum, Imperial College and the Royal Albert Hall) that successfully bid for funds to reduce carbon emissions. £2.895 million was awarded for a five-year period in the March 2006 Budget and this is expected to be recouped through carbon emission reductions across the organisations. New gallery developments afforded opportunities to upgrade the fabric to be more energy-efficient, such as insulating roofs and installing more efficient lighting systems.

Other examples of increased efficiency and effectiveness include the opening Archives at Blythe House to the public for an additional day per week (from three to four). MoP study services are attracting more visits since being integrated into those already held at Blythe House. WID cut the time it is closed for annual stock-take and the National Art Library introduced greater public access to the catalogue via the 'Horizon' system. MoC worked increasingly closely with South Kensington, notably over MoC's new brand identity and website. The Museum initiated a Business Continuity Plan (BCP) that will help us to cope with a range of emergency situations, from

terrorist attacks to natural disasters and widespread disease outbreaks. An exercise to determine standard costings for all Museum services was begun, which will aid fundraising and negotiation of partnerships.

CulturePlan permeated the V&A in 2005/06 through networks of Champions and managers. A range of outputs from this first phase were presented to staff in December. Some of these were manifested in the planning process (e.g. cross-museum planning workshops) and greater transparency in management (e.g. Management Board Bulletin; terms of reference for Boards and Committees published).

The Development Department leads Museum fundraising. Overall fundraising rose by 69% in 2004/05 (last year for which figures available). An Arts & Business survey of major art charities showed that last year the V&A was second only to the National Trust in fundraising from individuals. £10.48 million of finance for 2005/06 FuturePlan development came from sources external to the Museum's core budget. The Development Department has streamlined its operations in New York but continues to expand its activities in the US.

Many of the projects noted above continue into 2006/07 and beyond. While real progress is being made in the areas covered by efficiency and effectiveness, in many cases, these works are 'firefighting' – dealing with minor emergencies and doing only the minimum necessary with the resources available to maintain fabric and systems. Were more funding to become available, there are long lists of projects waiting right behind these, many of which could be deemed urgent. In order to address this problem in the areas of estate maintenance and IT, medium-term strategies are in development.

Summary of key points in plans for 2006/07

■ Information Technology:

Replacement of c. 600 PCs and software upgrades begun

Dual hosting of the website

IT network maintenance contract to be enhanced

Loans management processes and capacity to be improved

Increased levels of e-commerce

Websites to be better promoted in themselves and to be better marketing vehicles for the Museum.

■ Business Continuity:

Continue to develop and implement Business Continuity Plan

■ Building maintenance priorities:

Repair of the roofs

Upgrading of lifts

Life safety systems (Fire Voice Alarm)

Internal and external decoration

Upgrade rooms accommodating computer equipment

Improvements in disabled access through new developments

■ Sustainability: Carbon efficiency (through South Kensington Consortium):

Install metering, to identify points of energy use and rejection

Appoint a Carbon Reduction Manager

Develop a Carbon Emissions Masterplan to establish a long-term approach (to 2020, subject to funding)

■ Sustainability (V&A):

Combined heat and power plant installation completed and running

Waste re-cycling to be extended to all suitable materials

■ Costing and charging:

Complete a standard costings exercise: use in charging regimes and funding bids

■ Human resources and operations:

CulturePlan phase 2, focusing on inter-department relationships and practices

Improvements to corporate systems and information: e.g. internal communications and planning processes

Modernisation of Human Resources with emphasis on employee self-service facilities; e.g. online performance management and online flexible benefits package

Develop a strategy to promote health and well being in the workplace

■ Small displays:

Review the programme and recommend a reasonable and sustainable regime

■ Governance:

Refresher workshop for Trustees piloted in May

Issue revised Trustee Handbook

Two new Trustees must be appointed in 2006/07 and

Initiate appointment process for new Chair of the Board of Trustees (term of current Chairman expires in October 2007)

Volunteers

The V&A uses volunteers for a range of activities in pursuit of its objectives and they make a significant contribution. Volunteers approach the V&A through different routes, and Departments make use of them to varying extents. It is estimated that c.200 individuals volunteer in the V&A (excluding students on work placements, interns, secondees from other organisations etc.). They work in different periods and patterns, so no full time equivalent value has been ascribed to their contribution in terms of either hours or money. A review of policy and procedure for volunteers in the V&A is planned by the Human Resources Department for 2006/07. The main areas of volunteer activity are given below:

- Friends of the V&A: run the Friends' office; staff the Friends' recruitment desk in the galleries; assist at Friends' events. Training events provide opportunities to keep abreast of developments in the Museum.
- Visitor Services: staff the Information Desks at public entrances; provide free guided tours for visitors. Volunteers on the Information Desk are overseen by a Gallery Manager while the guided tours are managed by the Learning & Interpretation Department. Volunteers are provided with appropriate training and support and are kept informed about the Museum via a monthly newsletter.
- General administrative support: assisting Museum staff in a range of tasks, often things that would not otherwise get done, or would not be done so efficiently, such as maintenance of files.

Key Performance Indicators

The new DCMS/V&A Funding Agreement 2005/06 -2007/08 included a Balanced Scorecard to which the Museum was invited to add institution-specific performance measures.

The outturns for the core targets in the Funding Agreement are given at table 2. The full set of results will be published later in 2006/07.

Table 2: Results for Funding Agreement Core Targets 2005/06

	Target	2005/06 Outturn	% of target
Total number of actual visits to Museum site/s (excluding virtual visits)	2,100,000	2,195,500	105%
		SK 1,902,600	
		MoP 166,700	
		MoC* 123,400	
		Blythe House 2,800	
Number of children aged 15 and under attending the Museum site/s	235,000	250,900	107%
		SK 155,800	
		MoP 28,700	
		MoC* 66,400	
Number of children aged 15 and under in on and off-site organised educational sessions	119,000	128,200	108%
		SK 59,400	
		MoP 21,400	
		MoC* 47,400	
Number of UK adults aged 16 and over from lower socio-economic groups attending the Museum sites (NS-SEC groups 5-8)	116,000	126,900	109%
		SK 105,200	
		MoP 7,700	
		MoC* 14,000	
Number of web-site visits (user sessions)	10,000,000	11,580,600	116%
Net income from trading **	£2.785 m	£ 2.769 m	99%
Efficiency savings (cash + non-cash)	£2.7 m	£2.3 m	85%

* MoC closed from 31 October 2005

** Trading income KPI comprises: income from the trading subsidiary (net profit covenanted to the Museum); exhibition admission fees and touring fees; education course fees and income from joint postgraduate courses; income from loans; restaurant commission

Risk

The V&A maintains a full Risk Register that is reviewed regularly. A copy is supplied to DCMS. The Risk Register will be reviewed with DCMS at the annual Funding Agreement Review meetings.

The V&A Risk Register is divided into three key areas: strategic, physical and operational. The key strategic risks are:

- **Governance:** inadequate planning and communications and unstable funding such that the Museum fails to meet its obligations and strategic objectives.

Mitigated by: effective committees and flow of information; transparent planning cycle; three-year Funding Agreements; appropriate training; adequate contingency funding.

- **Audience:** public programmes fail to meet objectives and Museum fails to realise the full potential of its learning and inclusion activity; poor public perception.

Mitigated by: effective planning and clear strategies for understanding, and delivering against, audience needs and expectations; standards of visitor facilities and services.

- **Development:** insufficient funds for capital projects; lack of clear priorities; failure to deliver projects to time and budget.

Mitigated by: effective planning (as above); Fundraising Strategy; effective monitoring and review; project management training.

- **Collections:** acquisition not undertaken to clear and agreed policy resulting in uneven coverage.

Mitigated by – Acquisition Plan and Collecting Plans.

A network of committees oversees the development of policy and strategy and monitors activity and risk in designated areas (see annex C). Each risk is 'owned' by a member of the most senior management group, the Resource Group, and for each a senior member of staff is identified as being responsible for mitigation. Risk management itself is the responsibility of the Board of Trustees' Audit Committee and the Risk Register is the basis for the Museum's internal audit programme.

Policy in relation to disabled employees

The V&A policy in relation to disabled employees forms part of the Museum's Diversity Policy and is stated in the Staff Handbook (Section E5). The opening policy statement is:

The Victoria & Albert Museum is committed to equal opportunities for all its employees and potential employees. All individuals will be treated or considered for employment and advancement on the basis of their relative merits, abilities and qualifications. The aim of this policy is to ensure that every employee, prospective employee or person connected with the V&A will receive equally favourable treatment regardless of their gender, marital status, sexual orientation, race, ethnic/national origins, colour, disability, religion or belief and membership/non-membership of a Trades Union. The V&A is committed to making this policy effective and will continually monitor and review the Museum's employment practices. Harassment, discrimination or victimisation on the grounds listed above are unacceptable to the V&A in its role both as an employer and as the provider of an important public service.

In recent years, the V&A's senior management team has made a significant commitment to disability, taking an integrated approach to both audiences and staff. Following the success of the British Galleries development in 2001, where an Access Consultant was employed for the first time, disability has been firmly on the museum's agenda.

- A dedicated Disability And Access Officer was appointed in 2002;
- The Management Board and Board of Trustees signed up to the Access, Inclusion and Diversity Strategy in 2003 and to the Disability Action Plan in March 2004 (see below);
- Funding for disability initiatives was agreed in 2004, with an additional £65K allocated for year 1 delivery against the Disability Action Plan;
- Since 2002 there has been a Board-level Diversity Champion
- There is specific inclusion of disability equality within the 5 year Strategic Plan 2005 – 2010 (see below);
- The V&A was granted Disability Two Ticks symbol-user status in spring of 2003 and has had this re-endorsed in spring 2005;
- The V&A signed up to the Employer's Forum on Disability "Disability Standard" in spring 2005, a national benchmarking survey spanning service delivery, education and employment of disabled people.

The Disability Action Plan :The purpose of the V&A's Disability Action Plan (2004/07) is to help the museum focus on areas covered by the Disability Discrimination Act and to complement Museum policies such as Access for Disabled People; the Access, Inclusion and Diversity Strategy, and the Diversity Policy. Its purpose is to help the Museum achieve equality in employment, service provision, access to premises and education, and it aims to show how – through changing attitudes, the development of partnerships and increased expertise – the V&A can continue to be proactive in recognising and removing the barriers which disabled people face in accessing the museum in different ways. It also a recognition that improving provision for disabled people will create an environment which will be accessible to all users.

Disability and the V&A Strategic Plan:The V&A's Strategic Plan 2005-2010 articulates the broad strands of activities and major goals that the Museum will work towards over the next five years. One of the strategic objectives identified is the provision of optimum access to collections and services for diverse audiences, both now and in the future. This includes a commitment to increasing the diversity of its personnel and developing a more diverse pool of museum sector recruits, and to increasing consultation with stakeholder groups, including employees (reference to section A1, in particular, of the V&A Strategic Plan 2005 – 2010, and D1.s3).

Action taken to maintain or develop the provision of information to, and consultation with employees

There are several streams by which the Museum regularly keeps staff informed of plans and progress:

- Intranet
- Teambrief: distributed monthly electronically for managers to use at local staff briefings
- V&A News: monthly informal hard copy newsletter
- Museum Notice: occasional bulleting distributed as hard copy and on the Intranet with official notices on staffing, policy and procedures
- Meetings for all staff four times per year at which topical items are presented and comments invited.

Museum representatives meet the Trade Unions Side in the Joint Consultative Committee every two months: the Director attends at least one meeting per year. A new three-year pay deal was agreed in 2004/5.

The V&A Plan 2004/05 was distributed as hard copy to every Department – one copy per person in those departments that required this – and was available via the Intranet document Library. The V&A Strategic Plan 2005-2010 has been distributed in the same way, and has, additionally, been published on the V&A website.

The V&A operates a scheme under which staff may observe meetings of the Management Board. Minutes of Management Board meetings are posted onto the Intranet.

In 2004/5 the V&A embarked upon Cultureplan. This long-term project complements FuturePlan by focusing on people rather than buildings and collections. The aim is to improve public service by embodying the Museum's values in the way its people work, thus making the Museum a more satisfying place to work. A network of 'champions' and managers is being established throughout every Department to identify the things staff want to change and ways to achieve this.

FINANCIAL REVIEW

The accounts have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with the Museum and Galleries Act 1992, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities".

In 2005/6 the Museum recorded a deficit of £0.56m (2004/5-£0.15m) on its core operational (unrestricted) account. This was much higher than that anticipated in the original budget for the year.

The July 2005 bombings in London impacted visitor numbers to the Museum in general and attendances for exhibitions were significantly below target. As a result, the overall performance of our retail and publications business was disappointing.

Investment in IT infrastructure and upgrades to the telephone and security systems were the main elements of expenditure. The Museum continued its programme of rationalisation of accommodation and invested substantially on priorities such as building repairs and FuturePlan.

During the year the V&A spent £10.9m in the support of FuturePlan of which £9.5m was financed from external funders (public and private). In 2005/06, the V&A has had to use a significant amount of its own resources to lever additional funding, but remains very concerned that expenditure still remains well below the level it ought to invest in gallery displays, visitor services, educational facilities and security. The Museum also faces serious challenges in financing the repair and maintenance of its capital infrastructure to an appropriate level.

The financial stability and flexibility of the Museum needs to be underpinned by a sound level of reserves. The accounts record total funds of £360m (see note 14) which includes funds which represent the market value of inalienable property and restricted funds given for specific projects, neither of which would be available for the general financial support of the Museum.

The Trustees have access to only the combined total of certain General, Designated and Bequest funds which stand at £4.38m (2005: £4.27m, see note 22). The reserves fell due to the deficit recorded on the operational account but this was partly counterbalanced by a rise in the value of Bequest Funds due to an improvement in the value of investments.

Reserves Policy

The Trustees have reviewed the level of readily available reserves (those that are not restricted or tied up as fixed assets) appropriate to the scale, complexity and risk profile of the organisation.

Though grant-in-aid accounts for approximately 60% of the Museum's income, the remainder of operational costs must be financed by self-generated income (such as exhibition income and trading) which is volatile. This risk is managed through the Museum's policy to maintain general and designated funds and is reviewed periodically.

The Trustees also consider that reserves are required to provide a sound underpinning, in terms of cash flow planning and budgetary risk, to ongoing investments in the capital infrastructure at the South Kensington site and the branch museums.

Taking an overall view of the annual operational activities, the level of self generated income and grant-in-aid and the planned spend on capital projects, the Trustees believe that the minimum level of general and designated funds should be at least £3.0m. However, this *minimum* level may not be adequate over the next few years given that the Museum is about to embark on a number of major capital projects including the £31.75m Medieval and Renaissance galleries and the Ceramics Galleries. £3.5m is believed to be adequate to cover the risks such as on cash flow, and this added to the minimum level of reserves would mean that the Museum's *targeted* level of reserves should be £6.5m.

The difference between the targeted level of reserves of £6.5m and the £4.38m that the Trustees have access to is £2.12m. Over the course of the next three years the Museum will try to achieve the target level of reserves through cost control, investigating other funding sources and reviewing profitability of trading activities and working capital requirements.

The level of reserves is reviewed by the Trustees each year in conjunction with a review of this reserves policy.

Investment policy

The Museum's investment managers work to maximise the total return on the portfolio over the long term in a way consistent with a prudent spread of risk. The fund is governed by the Trustees Act 2000. Surplus funds are invested in short term cash deposits within the UK. The market value of investments was £6.42m at 31 March 2006 and the net gain on revaluation was £1.2 m during the year.

Fixed Assets

During the year, the Museum at South Kensington was revalued at £297.9m by Gerald Eve, Chartered Surveyors, the Museum of Childhood at Bethnal Green at £9.2m and a third of the site at Blythe House at £7m.

The depreciation charge for the year was £8.303m (2005: £7.310m).

Payment policy

The Museum's expressed intent is to adhere to the Government's standard on bill paying by aiming to settle bills within the 30 day terms of the Museum's standard contract. From a sample, we can project that over the past year the average time for payment of invoices not subject to query was 29 days (2005: 29 days).

Trading Company

The Museum owns 100% of the issued share capital of V&A Enterprises Limited which carries out trading operations on behalf of the Museum. These accounts consolidate the results of the Museum (that is grant-funded activities and the Museum's Development, Trust and Bequest funds) with those of V&A Enterprises Ltd. As at 31 March 2006, VAE was due to make a gift aid payment of £293,288, which transferred the balance of its taxable profits to the Museum.

Political Gifts/Donations

The V&A makes no political gifts and as a charity itself does not normally make donations to other charities.

Post Balance Sheet Events

In 2005/06, the Natural History Museum (NHM) entered into negotiations with a private contractor for the provision of a Combined Heat and Power (CHP) facility. The V&A is contracting with the NHM on the back of this for the supply of its own heat and power. A sinking fund was created over several years by contributions from both the NHM and the V&A, in anticipation that it would create a reserve to finance future capital work. This is no longer needed as the private contractor will be undertaking the project. The total value of the fund is £2.7m, half of which is the V&A's share. The contract was finalised and signed on 5th July 2006 and £1m was received from the NHM on 6th July 2006 and has been accounted for as an adjusting post balance sheet event. (2004/05: £674,614 costs representing the discontinued Spiral Project.)

REMUNERATION REPORT

Membership

The membership of the Remuneration Committee comprised the following Trustees:

Paula Ridley (Chair)
Margaret Buck
Paul Ruddock

The Director, Mark Jones, Deputy Director, Ian Blatchford, and Head of Human Resources, Allan Hill were in attendance at the meeting which reviewed senior staff pay (except for discussion concerning their own pay and performance).

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

The Remuneration Committee reviews salaries of all senior managers employed by the Museum whose positions fall in Bands 1 and 0. These are the most senior staff in the organisation and their pay is determined by specific recommendations made to the Remuneration Committee rather than under the Museum pay agreement negotiated with the trade union that applies to bands 2-7.

The Committee also considers the pay of two staff employed by V&A Enterprises: the Development Director and the Chief Executive of V&A Enterprises.

In 2005/6 the Committee considered the pay of 29 people in total including the Director.

At the beginning of the year, senior managers are set objectives based on the Museum's strategic plan. At the end of the year, their performance is assessed against objectives by the Director (or other senior manager). The Chairman of the Board of Trustees undertakes the performance assessment for the Director.

The annual performance assessments, and further information (see below), will be then reviewed by the Remuneration Committee and used to set pay levels and any performance bonuses.

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

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

Performance bonuses account for a nominal proportion of total remuneration.

Policy on duration of contracts, notice periods and termination payments

Senior staff (including the Director) are permanent employees of either the Victoria and Albert Museum or of VAE Limited.

A notice period for senior employees is three months and for the Director, six months. Termination payments are in accordance with Museum or VAE Limited's contractual terms.

Director

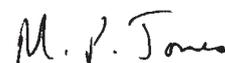
The Director's emoluments and pension details for 2005/06 are in note 5d to the Annual Report and Accounts.

All Museum employees (unless choosing to opt out) are members of the Civil Service pension scheme, PCSPS, with associated redundancy and early retirement conditions. All VAE Limited staff are entitled to payments as defined under the Employment Rights Act

The Board of Trustees of the Victoria and Albert Museum, who hold overall responsibility for the Museum, are not remunerated. Expenses paid are disclosed in note 5e to the Annual Report and Accounts.



Paula Ridley
Chair of Trustee Remuneration Committee
13th July 2006



Mark Jones
Director and Accounting Officer
13th July 2006

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

1. As Accounting Officer and Chair of the Audit Committee (as representative of the Board of Trustees), we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the Museum's objectives whilst safeguarding public funds and the Museum's assets, for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him under Government Accounting.
2. The Museum has a three-year funding agreement with its Government sponsor body, the Department for Culture, Media and Sport (DCMS), which includes targets for the Museum, to assist the Department in meeting its Public Service Agreement obligations and identifies the most significant risks to achieving the Museum's objectives. Progress against those funding agreement targets is monitored at least quarterly.

The purpose of the system of internal control

3. The system of internal control is designed to manage risk to a reasonable level consistent with the Museum's purpose and objectives. It is not designed to focus on elimination of risk and the system can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system's approach is an ongoing process designed to identify and prioritise the risks to the achievement of the Museum'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.
4. The system of internal control has been in place in the Victoria and Albert Museum 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.

Capacity to handle risk

5. The Trustees maintain an overview of internal control issues through the Audit Committee. This Committee plays a pivotal role in ensuring a sound control environment; its members ensure that a wide range of experience and expertise is available to the Museum by attending meetings and offering advice when required.
6. Its membership now comprises three Trustees (one of whom chairs the Committee) and two external members, especially qualified for membership through their professional experience. The Director, Deputy Director and Head of Finance attend all meetings, as do representatives of the National Audit Office, and Internal Audit. The Committee may hold sessions with auditors alone or without management, at any time.
7. The Audit Committee has approved a Risk Management Policy and reviews the Risk Register regularly.

The risk and control framework

Identification and assessment of risk

8. The Museum first undertook a major risk review in 2002/3 and held management workshops, attended by representatives of all grades of staff throughout the Museum, during which it identified the Museum's significant risks as well as the mitigating actions being taken to minimise those risks.
9. The Risk Register identified almost 60 specific risks and in each case the risk was assigned:
 - An 'owner', being a member of the Museum's Management Board;
 - A 'mitigator', being a senior staff member responsible for operational management of the risk; and
 - A ranking, which assesses the impact (in terms of viability and reputation) on the Museum of a risk being realised and the probability of occurrence.
10. In January and April 2005, the Audit Committee reviewed the format of the Risk Register, and the management arrangements supporting it. The Committee decided upon certain changes with effect from 1 April 2005, the most important of which are as follows.
11. *Format of Registers.* The Museum now maintains two registers: Strategic and Operational.

12. The **Strategic Risk Register** deals with issues mostly within the control of Trustees, and so likely to benefit from their scrutiny. Such risks would include governance, reputational and policy matters. This strategic section includes key physical threats, relating to issues such as health and safety and the security of the collections, where the Trustees have statutory or quasi-statutory obligations or where realisation of a risk would have exceptionally serious consequences (e.g. business continuity planning).
13. The **Operational Risk Register** deals with matters more within the control, and personal responsibility, of senior management. This embraces a wide range of issues such as collections management; staff recruitment, development and appraisal; financial management and fraud prevention; information systems security; audience development; and procurement.
14. Management of Registers. The Strategic Risk Register is reviewed on a periodic basis by the Resource Group (a regular meeting of the six most senior executive directors) followed by an annual review by the Audit Committee and then the Board of Trustees, unless circumstances should require a more immediate review.
15. The Operational Risk Register is managed by the Risk Management Group. This group comprises managers from learning & interpretation, planning, projects, conservation, security, personnel and collections and is chaired by the Deputy Director. It makes a six-monthly report to the Management Board and an annual report to the Audit Committee.
16. The Audit Committee have also decided that, where a major new risk emerges, a report should be made immediately to the Management Board, rather than waiting to report under the normal cycle.
17. In 2006/07, Internal Audit will carry out a review of these new arrangements for maintaining the risk register.

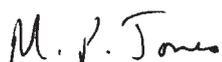
Monitoring of risk

18. The procedures associated with the Risk Register are only part of the control environment operating within the Museum. Other key aspects include:
 - the Management Board meets fortnightly to review all operational issues;
 - the Trustees and senior management have agreed a Strategic Plan (2005-2010) which outlines key short and medium-term objectives and appropriate indicators. This ensures that scarce resources are applied to key corporate priorities;
 - the Audit Committee receives regular reports from the Internal Auditor (see 23 below) on the steps taken to manage risks in all areas of activity;
 - the Museum also receives reports from the External Auditors (National Audit Office) arising from their annual audit and their value-for-money work;
 - the Finance Committee reviews the financial management of the Museum through quarterly management reports and three-year outline budgets;
 - the Buildings Strategy Committee monitors the progress of large capital projects and the performance of management on health and safety issues;
 - The Development Committee assesses the feasibility of fundraising targets (both revenue and capital) and donor relations; and
 - The Collections Committee monitors key aspects of collections management and major acquisition and loan proposals.

Review of effectiveness

19. As Accounting Officer and Chair of the Audit Committee (on behalf of the Board of Trustees), we have joint responsibility for reviewing the effectiveness of the controls. Our 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 Museum who have responsibility for the development and maintenance of the internal control framework, and by audits and comments made by external auditors in their management letter and other reports.
20. **Internal Audit** – During 2005/06, the Museum, after assessing proposals submitted by four firms of Chartered Accountants, appointed an additional firm to provide Internal Audit services. The new firm will provide assurance on strategic issues such as risk management, while the work on the operational areas such as collections management, will be carried out by the existing auditors. Both firms will continue to work to standards defined in the Government Internal Audit Standards.

21. The annual internal audit plan is approved by the Audit Committee and the Risk Register is used to identify appropriate areas for investigation.
22. At regular intervals throughout the year, the Internal Auditors provide the Accounting Officer with reports generated from the annual review plan and these are then presented to the Audit Committee. Such reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the Museum's system of internal control during the report period together with recommendations. The internal auditors also report on progress against recommendations made in previous financial years and provide an annual statement of assurance to the Accounting Officer and the Trustees based on the work performed during the year.
23. In 2005/06 the Internal Auditor reported on development and fundraising, fraud risk management, perimeter security controls, and financial controls. Follow-up work was carried out on collections management. An external consultant was commissioned to report on controls around building projects. We have been advised on the implications of these reviews and a plan to address weaknesses and ensure continuous improvement of the system is in place.
24. **Executive Management** – each member of the Executive Management Board provides an annual assurance statement confirming that all financial transactions and liabilities have been recorded and notified; and also confirming that they will operate within the budget resources allocated for the forthcoming financial year.
25. **External Assurance** – Further assurance is provided by consultants whom the Museum may engage to review particular areas of operation such as the study on project management carried out in 2005/06. In addition, the year end audit, other audits carried out by statutory bodies such as Her Majesty's Revenue and Customs (HMRC) and ensures all areas are adequately covered.



Mark Jones
Director and Accounting Officer
13th July 2006



Dame Marjorie Scardino
Chair – Audit Committee
13th July 2006

Annex A – Extract from DCMS/V&A Funding Agreement 2005/06 – 2007/08 (Section 4)

V&A contribution to the delivery of Government objectives

V&A contribution to the delivery of public value (headings as given by DCMS in the Funding Agreement Annex C)

The V&A was the world's first museum of art and design and is internationally recognised as pre-eminent in its field. The Museum serves a national and international audience in London, throughout the UK, around the world and via the Internet. The V&A is a source of learning, wonder and inspiration and a rich resource for creativity for individuals, the Creative Industries and the wider economy. The V&A engages with citizens through the direct provision of programmes and services and provides wider benefits by working with a range of partner organisations, and by its prominent role in tourism.

Around 2 million people visit the V&A's London sites each year and surveys consistently reveal satisfaction rates of 97-99%. In addition nearly 1 million visits are made to V&A exhibitions shown at other venues in the UK and internationally and millions more visit the Museum's websites. The V&A will continue to work to grow its audiences in both size and diversity, and to build awareness of the V&A as a global brand: an organisation that is the natural place to turn to as a lively, authoritative and generous resource for art, design and creativity. The V&A will continue to seek the views of stakeholders – including diverse users and non-users – in making this a reality and will continue to nurture its reputation through excellence in operations and service.

The Museum has a duty to ensure that its outputs are underpinned by rigorous scholarship and stewardship. Its products have the potential to change the ways in which culture is understood and are resources for scholars, educators and students. The V&A has demonstrated – through the British Galleries, other galleries, exhibitions and publications – that it can translate serious research into innovative and accessible products for diverse audiences.

The V&A creates and delivers public value, contributing to each of the DCMS commitments as defined at Annex C. This section summarises the V&A's status, activities and ambitions under each heading for the period of this Funding Agreement. More detail on what the Museum aims to do in the Funding Agreement period can be found in the Delivery Plan Summary at Annex A and in the separate V&A Strategic Plan 2005-2010.

How the V&A solicits the views of users and citizens:

- Regular surveys of visitors to the Museum sites, both in-house (Groups) and by MORI (non-Groups), and specific surveys of major temporary exhibitions, programmes and events;
- Consultation with stakeholders in planning major public-facing projects such as the Medieval & Renaissance Galleries and the Education Centre at South Kensington and the redevelopment of the V&A Museum of Childhood.
- Standing fora of users representatives to advise on planning and activities. The V&A Museum of Childhood runs a Teachers' Consultative Group to inform its offer to schools and its Children's Forum will be strengthened. It also will institute a Local Advisory Group of local residents to advise on the programmes run by the Museum. This will be a subset of the V&A Board of Trustees Museum of Childhood Committee and its Chair will be invited to sit on that committee. The V&A at South Kensington runs an Access Forum comprising representatives of disabled people that meets regularly.
- Visitor comments, complaints and compliments are collected via comments forms and reported regularly, along with consequent actions to the V&A Management Board and Board of Trustees. Comments on aspects of the Museum's services are invited via the V&A website, e.g. Visitors' Voices (introduced September 2005), and in the British Galleries study areas.
- The V&A will undertake specific research among non-users in the period of this Funding Agreement.

Personal enrichment: People use the Museum in many different ways. The Museum actively promotes personal engagement with its collections in ways that foster personal growth and understanding of diverse cultures, and works to build audiences among traditionally under-represented communities, at its London sites, on the web and with its UK Partners.

A great start in life: The V&A is committed to children's learning and creativity and offers a huge range of activities – both formal and informal – for all ages and abilities. The number of child visits grew substantially in recent years, peaking in 2004/05 at 364,800 (an exceptional year for Museum visits). The V&A was the only national museum to be shortlisted for The Guardian Kids in Museums award 2004. The V&A Museum of Childhood was voted the 'People's Award for Favourite Children's Attraction' in the Visit London Awards 2004, reflecting the success of the first phase of its re-development. Phase 2 will be undertaken between November 2005 and late 2006. This will

provide enhanced capacity and facilities for school groups and community involvement and will further boost child visits. The Museum of Performance aims to work closely with a small number of schools in areas with low records of visiting, as well as providing a diverse range of drop-in events and workshops in the performing arts. Under the DCMS/DfES-funded *Image & Identity* UK Partnership project, young participants will help to curate an exhibition at the V&A and attend a lively conference in March 2006 (see also *Including everyone* below). The new round of funding for 2006/07 and 2007/08, announced in December 2005, means that the project can be sustained for a further two years and all partners are committed. Although details have to be confirmed, potential themes have been proposed: Festival of Muslim Culture in 2006/07; Abolition of Slavery in 2007/08.

Including everyone: The V&A recognises that diversity applies to all areas of activity and also that, as a national museum, it has a remit to serve all of the nation. The V&A agreed an Access, Inclusion and Diversity Strategy in 2003 and will continue its implementation in the period of this Funding Agreement. This includes examination of its own practices and operations, as well as audience-focused programmes. A detailed list of projects that contribute to the DCMS PSA3 Access Project has been supplied to DCMS and this is summarised below. A major element will be the HLF-funded project, *Capacity-Building and Cultural Ownership*. In the first two years of the DCMS/DfES strategic commissioning project, *Image & Identity*, there were 19,000 participants, mainly schoolchildren, and a further 14,000 are anticipated in 2005/06 (enabled by additional external funding).

The V&A also increased and focused other national activity during 2004/05, by consolidating its Partnership with five regional museum services involved in *Image & Identity* (Sheffield Galleries and Museums Trust, Tyne & Wear Museums, Manchester City Galleries, Birmingham Museums & Art Gallery, Brighton and Hove Museums and Galleries) and by initiating four subject specialist networks (SSNs). The objective of the V&A's national work is to build professional capacity and improve services and facilities for the public through sharing of collections, expertise and skills. (see also *Better places to live*, below).

Listening to People: The V&A uses a number of ways to seek out and respond to the views of its diverse users, in both the planning and evaluation phases of its projects. Through these the Museum aims to understand better how it can meet the needs of its users – and those of people who do not yet visit. [See box above].

Better places to live: The V&A works with its five UK Partners in Tyne & Wear, Manchester, Sheffield, Birmingham and Brighton & Hove and others to improve people's quality of life in the places where they live. The Museum has a consistently good record of lending from its collections, both long term (1,800 objects in 2004/05) and short-term (c. 1,000 objects per year). The number and range of V&A touring and collaborative exhibitions was increased from 0-3 per year up to 2003 to 15 in 2004/05. Together such exhibitions attracted over 200,000 visits in 2004/05. Key touring exhibitions confirmed for 2005-2007 include: Black British Style in Bradford, Sunderland, Birmingham and Leicester; Cinema India in Leicester, Sunderland, Hull; Radiant Buddha (with the British Museum) in Bradford, Exeter and Leicester; Must-have Toys to Bristol, Reading, Hartlepool, Exeter, Northampton and South Shields.

While the V&A is committed to maintaining this national role, any significant expansion requires extra resources. The Museum will continue to seek operational efficiencies and also to build capacity among its Partners (e.g. training in object handling and installation), to facilitate object movement but the benefits of these actions will be incremental and long-term.

Through the sharing of skills and expertise, the V&A participates in the raising of practical and academic standards throughout the museum sector. The flagship of V&A national work is the formal partnership with the Sheffield Galleries and Museums Trust, manifested in the Millennium Galleries that opened in 2001 as a key element of the city's regeneration scheme and the continuing programme of exhibitions and museum-wide collaboration. This work has been resourced primarily from core budgets and is thus under increasing pressure.

Looking after the nation's cultural assets: There are over 4 million items in the V&A collections and the Museum is housed in a range of historic buildings. The purpose of the collections is to educate and inspire the public and to do this they must be accessible, both physically and intellectually. In one way or another, almost 100% of the V&A collections is accessible. Provision ranges from permanent display to objects that need to be retrieved from storage and, in practice, access may not always be straightforward. Access is a strong driver, alongside appropriate climatic conditions, in a review of storage that takes into account the V&A's own needs and also seeks efficiency and service improvements from working with other organisations such as the British Museum (which could also lead to other creative ways of understanding the collections).

Security of the collections is a fundamental function. Following three thefts of objects in 2004/05, the V&A reviewed its provision and began to implement a programme of improvements, diverting an additional £800,000 from the 2004/05 and 2005/06 budgets for this purpose. Significant amounts will also be spent on security in 2006/07 and 2007/08. Some public spaces that were closed in the immediate aftermath have since been reopened, but other galleries remain closed to the general public (access for scholars is allowed by arrangement). This is a cause for concern as it continues to have a negative impact on visitors' experience and on visit numbers.

The other fundamental consideration for protection of objects is the maintenance of the buildings that house them: in the V&A's case, these are often of cultural importance in their own right. Under its long-term redevelopment plan, FuturePlan, the V&A has made great strides in improving its public spaces, funded largely through self-generated income, and such projects often provide opportunities to upgrade the fabric of the buildings. Nevertheless, the Museum has in recent years only been able to make the minimum running repairs to its estate and has an accumulated backlog of repairs costed at at least £20 million.

Digitisation of collection information both facilitates a greater range of accessibility options, via the internet, for example, and also enables greater operational efficiency and security. The V&A continues to digitise its object records and to make them available via *Search the Collections* on its website (formerly *Access to Images*): the objective is to populate the site with at least 50,000 object records by April 2007.

International prestige: The V&A's pre-eminent position as the first and foremost museum of art and design in the world is internationally acknowledged. The V&A is active in many parts of the world – representing the UK abroad through touring exhibitions, trading (including licensing) and professional contacts – and is an international tourist destination in London. The Museum's International Strategy seeks to exploit the V&A's world-class reputation in ways that will benefit the Museum, London and the UK as a whole, and that will promote inter-cultural understanding. For example, some of the Museum's treasures were shown abroad while they were off display in London for gallery redevelopment: *Palace & Mosque: Islamic Art* from the Victoria and Albert Museum attracted 271,800 visits in Washington DC, Fort Worth and Tokyo in 2004-2006 (gallery development and touring exhibition supported by Hartwell plc, part of the Abdul Latif Jameel Group). In the Funding Agreement period, 18 international venues have been confirmed for six major V&A touring exhibitions, with more in negotiation. Between April and December 2005, V&A exhibitions abroad had already attracted over 436,000 visits.

The V&A collaborates with numerous international partners to realise exhibitions and promote professional co-operation. Current examples (at December 2005) include: working with the Cultural Academy of Fine Art, Beijing, on *China Design Now*; developing a major exhibition and touring exhibition with the Shanghai Museum on the history of the Expo movement, to coincide with the World Expo 2010 in Shanghai; agreeing an ongoing partnership with the Dr Bhau Daji Lad Museum, Mumbai. Further examples are given in the Delivery Plan, Annex A (of the Funding Agreement).

To retain its prominence and function as a global resource for research, learning and creativity, and as a significant cultural ambassador, the Museum must make its resources, including collections, available internationally. In order to make the most of emerging opportunities the V&A – and other similar cultural institutions – needs support from the various Government departments whose aims are furthered by this work.

Personal freedom: The V&A welcomes people to its sites and is committed to reducing and removing barriers to visiting. At all times, the V&A will strive to minimise inconvenience to its users and personnel, whilst ensuring their safety and security.

Economic prosperity: Creativity is at the heart of the V&A's purpose and contributes to the economic prosperity of Britain. The V&A, at all sites, is a showcase and patron, as well as a major resource, for the Creative Industries that constitute a significant – and rapidly growing – part of the UK economy. The Museum was founded on the belief that educating the public and manufacturers would result in better products and increased national prosperity. The Museum continues to believe that making the best of historic and contemporary design available through its exhibitions and programmes, acquisitions and commissions is an essential contribution to sustaining Britain's leading role in creative design. For example, the V&A brought the work of celebrated British fashion designer Vivienne Westwood to a wide international audience in a dedicated exhibition that was seen by 210,800 people in Canberra, Shanghai and Taipei (as well as 171,000 in London). By 2007 it will also have been shown in Tokyo, Dusseldorf, Bangkok, San Francisco and thence goes to the V&A's major UK Partner venue, the Millennium Galleries, Sheffield.

Creativity is increasingly recognized as a factor in successful business more generally, promoting problem-solving skills and entrepreneurship. The V&A fosters creativity in users of every age and ability through activities that range from pre-school play (led by Activity Assistants at the V&A Museum of Childhood) through schools outreach (e.g. V&A Museum of Performance schools programme) to competitions for professionals (Classic Design Awards; V&A Illustration Awards). It is known that, as well as the 36% of the V&A audience made up of Creative Industries professionals, teachers and students, at least a further 20% have a qualification in the Creative Industries or devote most of their free time to art and design.

The V&A is a major tourist attraction for people in the UK and from abroad and this generates income for London and the UK. Between one third and one half of visits to V&A Museums are made by overseas visitors. Everyone who visits sees the best of historical and contemporary design, not only in the exhibits, but in the buildings and environment of the Museum.

The partnership between the V&A and the Sheffield Galleries and Museums Trust had its basis in Sheffield's urban regeneration project and the building of the Millennium Galleries was at its heart. By sustaining this relationship and extending it to other partners the V&A contributes to the cultural and business life of the country outside London.

Value for money: The V&A strives to provide good value for all investment in it. The amount of Grant in Aid (GIA) per user (physical + web) in 2004/05 was £4.02 whereas in 2000/01 it was £11.23. This 64% reduction reflects an increase in visits, especially the huge growth in web visits. In the same period the average number of days of sickness absence per employee fell from 6.5 to 5.5. In other areas too, the V&A's performance has increased by proportionately more than did GIA: for example visits increased by 84% and visits by children by 76%; visits to V&A websites increased by nearly 400%; the number of venues to which objects were loaned rose by 25%. The Museum has agreed efficiency programmes and targets from 2004/05.

Annex B – Summary of V&A key strategic objectives and 2010 outcomes: updated May 2006

STRANDS	STRATEGIC OBJECTIVES	THEMES	2010 OUTCOMES
A. ACCESS & AUDIENCES	To provide optimum access to collections and services for diverse audiences, now and in the future	A1 The V&A continues to build audiences in both size and diversity	A1.1 V&A is one of the most-visited museums/galleries in the UK A1.2 FuturePlan: Medieval & Renaissance Galleries and other major gallery projects open A1.3 More new users, especially from under-represented and priority groups: children and young people; UK ethnic/cultural minority communities; UK socio-economic groups C2, D, E; disabled people
		A2 The V&A's collections are accessible to all	A2.1 Physical, intellectual and sensory access to the collections improved through gallery developments A2.2 Public Programme makes V&A collections accessible (ref. National & International) A2.3 New spaces opened for public access at current sites A2.4 Significant progress made towards fully accessible collections, including those not on display
		A3 People enjoy themselves, learn and find inspiration at the V&A	A3.1 Increased capacity for learning about, and engagement with, creative design, art, history and exploration of the culture represented in our collections A3.2 Increased take-up of V&A learning and community programmes
		A4 The V&A is a visitor-focused e-museum	A4.1 Increased website use A4.2 V&A's website is the best in the world for art and design and a model for user participation A4.3 V&A resources are the most widely-used for creative design in education A4.4 People can do business with the V&A online (e.g. shop, donate, join, book)
B. NATIONAL & INTERNATIONAL	To be acknowledged and respected as the world's leading museum of art and design	B1 The V&A is an international organisation, not a location	B1.1 V&A's physical presence and activity overseas increased B1.2 V&A websites usage substantially increased (ref. Access & Audiences) B1.3 V&A is a respected global brand for art, design and cultural history B1.4 Extra revenue is generated through increased brand awareness
		B2 The V&A helps to promote London as a world city	B2.1 V&A temporary exhibition capacity increased and in use for major large-scale international exhibitions/events B2.2 V&A programmes, audiences and staffing reflect and promote the cultural diversity of London and the UK (ref. Access & Audiences)
		B3 The V&A's reputation is based on excellence	B3.1 Research outputs enrich the V&A programme and are disseminated appropriately B3.2 Staffing structures and processes are aligned to organisational need (ref. Culture Plan in Efficiency & Effectiveness) B3.3 V&A recognised as one of the key authorities in its sphere of influence and as an advocate for the museum, education and cultural sectors
		B4 The V&A is a nationwide Museum	B4.1 Significant, identifiable V&A presence/activity in most regions of the UK B4.2 People can engage with the V&A wherever they live B4.3 Optimum value from partnership with SGMt and other UK Partners B4.4 Increased benefit from, and acknowledgement of, the V&A's national working B4.5 Increased capacity among V&A Partners and wider sector to deliver public benefit
C. CREATIVE DESIGN	To promote, support and develop creativity in individuals and in the economy	C1 Creativity is at the core of the V&A's purpose	C1.1 V&A brand widely recognised and services sought out by users as a source of enjoyment, study and inspiration in art and design (ref. Access & Audiences) C1.2 The role of the V&A in promoting creativity for wider social, educational and economic benefit is understood and widely recognised C1.3 Creativity is valued in V&A personnel and manifested in practice.
		C2 The V&A's public offer reflects central position of creativity in the Museum's values	C2.1 V&A is recognised as a place for debate, opinion and curiosity about creative design C2.2 Substantial advance in the development of key priority collections: Fashion, Photography, Performance C2.3 Contemporary programme thriving at V&A sites and as a key facet of UK working
		C3 The V&A is a key player in the UK creative economy	C3.1 Increased awareness and appropriate use of V&A resources among creative design industry professionals, teachers and students C3.2 V&A is a significant patron and showcase for the Creative industries
D. EFFICIENCY & EFFECTIVENESS	To operate with the greatest possible financial and organisational efficiency	D1 The V&A is a joined-up organisation	D1.1 V&A is an integrated organisation with shared values and vision and a clear strategy D1.2 V&A's values are manifested through its people and operation D1.3 Comprehensive, integrated and transparent system of corporate planning and review in place
		D2 The V&A delivers maximum benefit for all investment in it	D2.1 Unite costs of targeted operations decreased D2.2 Levels of non-grant income increased and opportunities for income-generation maximised D2.3 Digital technologies used to improve efficiency
		D3 The V&A is increasingly an environmentally sustainable organisation	D3.1 Sustainability Policy implementation on target to meet statutory and internal standards
		D4 The V&A's collections assets are well protected and managed	D4.1 Security of collections optimised through improved physical and documentation systems D4.2 Collections held in appropriate environmental conditions D4.3 Sharing of conservation facilities/resources improves efficiency and effectiveness

Annex C – V&A Management staff and structure

Board of Trustees at April 2006

Name	Term expires
Paula Ridley OBE (Chairman)	31/10/07
Jonathan Altaras	16/12/06
Professor Margaret Buck	30/09/06
Rob Dickins CBE	30/09/07
Professor Sir Christopher Frayling	(ex officio)
Jane Gordon Clark	30/09/06
Betty Jackson MBE	05/12/08
Professor Lisa Jardine CBE	16/12/07
Rick Mather	30/10/08
Peter Rogers	05/08/08
Paul Ruddock ¹	02/05/06
The Rt Hon Sir Timothy Sainsbury	16/12/07
Dame Marjorie Scardino DBE	06/02/07
Samir Shah OBE	05/12/08

¹ Paul Ruddock was re-appointed on 3 May 2006 for a term of four years

Committees of the Board of Trustees

Committee

Audit
Buildings Strategy
Collections
Development
Finance
Museum of Childhood
Theatre Museum

Chairman

Dame Marjorie Scardino DBE
Peter Rogers
Professor Lisa Jardine
Paul Ruddock
Paul Ruddock
Rob Dickins
Jonathan Altaras

Audit Committee at April 2006

Dame Marjorie Scardino DBE
Paula Ridley OBE
Samir Shah OBE
Joao Baptista *
Robert Berg *

* Not a member of the Board of Trustees

V&A Management Board at April 2006

Mark Jones, Director of the V&A (Chairman)
David Anderson, Director of Learning & Interpretation
Ian Blatchford, Deputy Director
Julius Bryant, Keeper, Word & Image
Paul Catlow, Director of Property Services
Moira Gemmill, Director of Projects & Design
Allan Hill, Head of Human Resources
Jane Lawson, Director of Development
Diane Lees, Director, Museum of Childhood
Geoff Marsh, Director, Theatre Museum
Beth McKillop, Keeper, Asia
Jo Prosser, Managing Director, V&A Enterprises
Sue Ridley, Head of Security & Visitor Services
Nick Umney, Director of Collections Services
Damien Whitmore, Director of Public Affairs
Christopher Wilk, Keeper, Furniture, Textiles & Fashion
Paul Williamson, Director of Collections & Keeper, Sculpture, Metalwork, Ceramics & Glass

Committees of the Management Board

Committee

Campaign Planning Group
 Collections Group
 Information Project Board
 FuturePlan Steering Group
 Publications Advisory Group
 Public Programme Group
 Safety and Security Committee
 Staffing Committee
 Training and Development Advisory Group
 UK Steering Group

Chairman

Director
 Director of Collections
 Deputy Director / Director of Learning & Interpretation
 Director
 Managing Director, VAE
 Director
 Deputy Director
 Director
 Head of Human Resources
 Director, Museum of Childhood

Other senior staff groups

Access, Inclusion & Diversity Steering Group
 International Strategy Group

Organisation Structure and Decision Making

The NHA requires the Board to appoint a Director, with the approval of the Prime Minister, and stipulates that the Director will be responsible to the Trustees for the general exercise of their functions. In general, the Board focuses on policy and strategy, leaving operational matters to the Director. Much of the Board's business is conducted through its seven committees. Key decisions/issues reserved to the Board include:

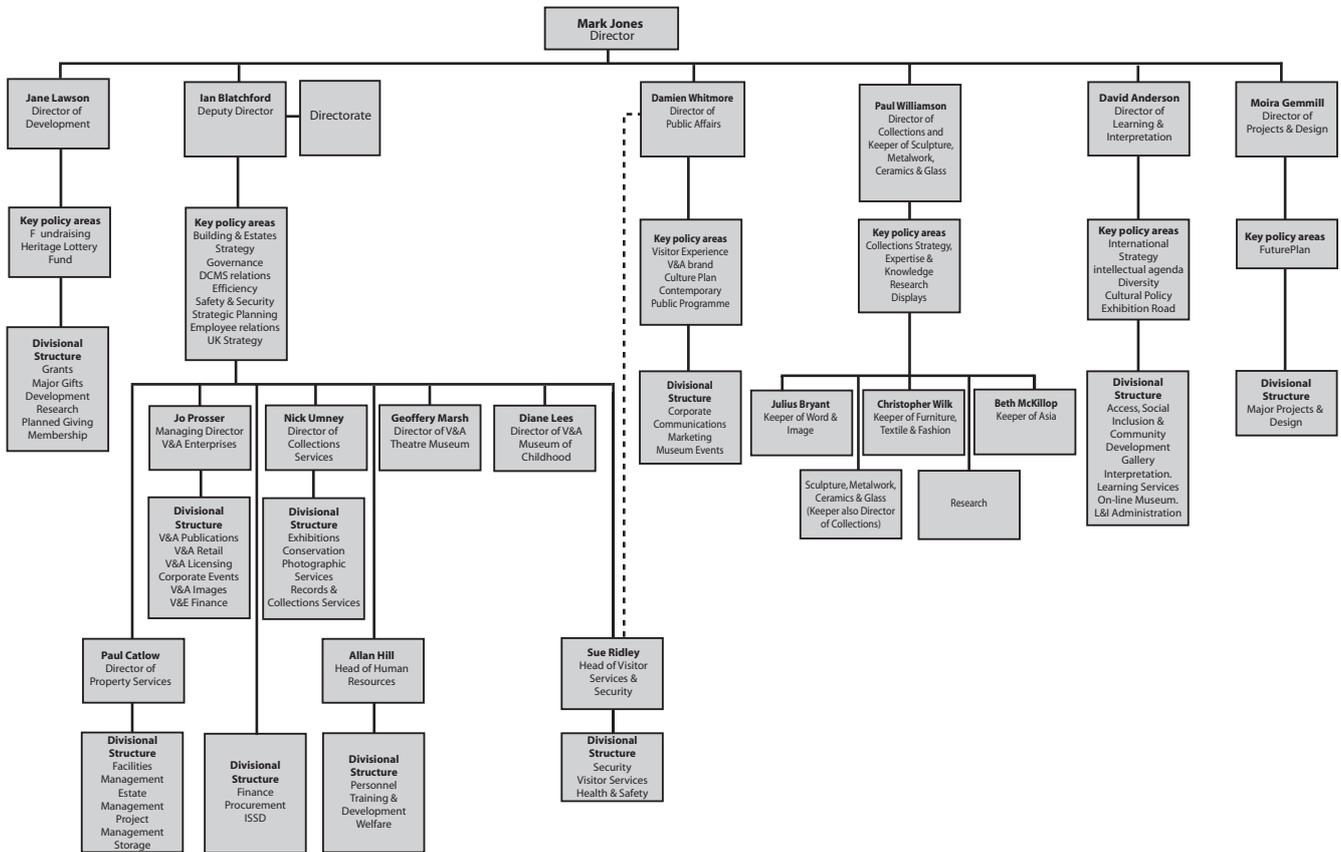
- issues of corporate strategy
- key strategic objectives and targets
- major decisions involving the use of financial and other resources
- senior personnel issues and standards of conduct
- the appointment of the Director (jointly with the Prime Minister)
- involvement in the appointment of some senior staff (jointly with the Director)
- the approval of major purchases by the Museum of objects valued at £100,000, or more, on the recommendation of the Trustees' Collections Committee
- the approval of major loans by the Museum of objects valued at £1,000,000, or more, on the recommendation of the Trustees' Collections Committee
- considering the remuneration of senior staff.

The primary decision-making body of the V&A is the Management Board, comprising 17 senior staff members and chaired by the Director.

Annex D: Organisational structure

The diagram shows the V&A's organisational structure at March 2006

V&A Organisational Chart: March 2006



Annex E: Legal and administrative information

Trustees

Paula Ridley OBE (Chairman)
Jonathan Altaras
Professor Margaret Buck
Jane Gordon Clark
Professor Rob Dickins CBE
Professor Sir Christopher Frayling MA
Professor Lisa Jardine CBE
Rick Mather
Peter Rogers
Paul Ruddock
The Right Hon Sir Timothy Sainsbury
Dame Marjorie Scardino DBE
Betty Jackson MBE
Samir Shah OBE

Director

Mark Jones

Principal address

Victoria and Albert Museum
Cromwell Road
London SW7 2RL

Bankers

National Westminster
Knightsbridge Business Centre
186 Brompton Road
London SW3 1XJ

Auditors – Internal

AHL Limited
Chartwell House
292-294 Hale Lane
Edgware
Middlesex HA8 8NP

Littlejohn Frazer
1 Park Place
London E14 4HJ

Solicitors

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3CH

Investment Managers

Chiswell Associates Ltd
4 Chiswell Street
London EC1Y 4UP

Auditors – External

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

Annex F: Supporters

The V&A would like to thank the following for generously supporting the Museum's ongoing redevelopment programme

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The A.H. Whiteley Family
And others who wish to remain anonymous

Annex F: Supporters (contd)

The V&A is particularly grateful to those who have made a significant contribution to the Museum's work

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Exhibitions

Abbas Kiarostami: Visions of the Artist

The American Friends of the V&A through the generosity of the Roshan Cultural Heritage Institute

Anna Piaggi: Fashion-ology

Topshop

Diane Arbus: Revelations

The Bank of New York

Fashion in Motion

Istituto Marangoni

Friday Late Born Free

PSP (Playstation® Portable)

Friday Late

Arts Council England

Leonardo da Vinci: Experience, Experiment and Design

Deloitte

Modernism: Designing a New World

Habitat

Palace and Mosque: Islamic Art from the V&A

The Jameel Family

Style and Splendour: Queen Maud of Norway's Wardrobe 1896 – 1938

Statoil UK

Esther and Peter Smedvig

Sunder Singh Kapany Sikh Arts Lecture

The Sikh Foundation

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The Wellcome Trust

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 Bettina and Joe Gleason
 The American Friends of the V&A through the generosity of Mr Gerald Gulotta
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 Peter Hodges
 Mr and Mrs Philip Hodgson
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 James and Lucilla Joll
 Pearl Lam
 Jim Lee
 Longchamp
 David, lanthe and Helen Maclagan
 Mulberry and Showroom Dummies
 The Art Fund
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 The American Friends of the V&A through the generosity of Ms Judy Novak
 David Notarius
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 The American Friends of the V&A through the generosity of Professor Seymour Rabinovitch
 Mr and Mrs Stewart Resnick
 The American Friends of the V&A through the generosity of Leslie and Judith Schreyer
 A private consortium led by Mr John S M Scott
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 Mr Anthony Weldon
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 The Worshipful Company of Goldsmiths
 Marian Volrab
And others who wish to remain anonymous

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Nehru Trust Foundation
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Andrew Wiseman

V&A Illustration Awards
The Enid Linder Foundation

The Warne Curatorship for Children's Literature
Frederick Warne & Co.

And others who wish to remain anonymous

V&A Museum of Childhood

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Aldgate and Allhallows Barking Exhibition Foundation
The Bridge House Trust
British Toy & Hobby Association
Catkin Pussywillow Charitable Trust
The Clore Duffield Foundation
The American Friends of the V&A through the generosity of Robert Friedus
The Friends of the V&A
The Glass-House Trust
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The Headley Trust
The Helen Hamlyn Trust
The Paul Hamlyn Foundation
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JPMorgan Foundations
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The Michael Marks Charitable Trust
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Christopher Reynolds
Society of London Theatre
Westminster Arts Council
Andrew Whitlaw

Annex F: Supporters (contd)

The V&A would like to pay special tribute to the following Major Benefactors for their extraordinary generosity

The American Friends of the V&A
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 The Clore Duffield Foundation
 Mr and Mrs Edwin Davies OBE
 Department for Culture, Media and Sport
 Sir Harry Djanogly CBE
 The Friends of the V&A
 The Headley Trust
 Heritage Lottery Fund
 Dorothy and Michael Hintze
 The American Friends of the V&A through the generosity of the Iris Foundation
 The Jameel Family
 John Madejski OBE DL
 The Monument Trust
 The Art Fund
 National Heritage Memorial Fund
 Paul and Jill Ruddock
 The Dr Mortimer and Theresa Sackler Foundation
 Simon Sainsbury
 The Rt Hon Sir Timothy Sainsbury
 Dr T T Tsui
 Weston Family
 The A.H. Whiteley Family
 The Wolfson Foundation
And others who wish to remain anonymous

The V&A is most grateful to the Trustees of the American Friends of the V&A for their valuable commitment and support

Mr Ian Blatchford
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Statement of Trustees' and Director's Responsibilities

The Board of Trustees of the V&A was established by the National Heritage Act 1983. The functions of the Board, as defined by the National Heritage Act are to:

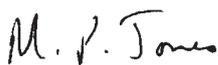
- care for, preserve and add to the collections;
- ensure that the collections are made available by display and by providing reference facilities;
- add to the body of knowledge relevant to the collections through research; and
- disseminate that knowledge.

Under ss.9(4) and (5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for the Department for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at the end of the year. The Accounting Officer has taken the necessary steps to ensure that there is no relevant audit information of which the external auditors are unaware.

In preparing the accounts the Trustees are required to:

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

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



MARK JONES
Director and Accounting Officer
13th July 2006



PAULA RIDLEY OBE
Chairman of Trustees
13th July 2006

* (a copy of which is available from the Head of Finance, Victoria & Albert Museum, Cromwell Road, London SW7 2RL)

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Victoria & Albert Museum and the group for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, the Income and Expenditure Account, the Consolidated Balance Sheet, 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 Trustees' Report, the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 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 Museums and Galleries Act 1992 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 Trustees' Report is not consistent with the financial statements, if the Victoria & Albert Museum 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 20–22 reflects the Victoria & Albert Museum'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 the Victoria & Albert Museum'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, 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 the Victoria & Albert Museum'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 Museums and Galleries Act 1992 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 the Victoria & Albert Museum 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 Museums and Galleries Act 1992 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

18 July 2006

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

Consolidated Summary Income and Expenditure Account for the year ended 31 March 2006

The aim of this statement is to extract a core operational account (unrestricted funds) from the Consolidated Statement of Financial Activities which follows at page 43. The statement below therefore excludes capital receipts, endowment funds and restricted funds. The Group recorded a deficit of £556,204 for the year on its general funds (2005: £151,662). The gross deficit, taking the designated and bequest funds into account is £451,607 (2005: £1,675,232 deficit).

	2006 £	2005 £
Total income of continuing operations	64,752,033	66,102,515
Total expenditure of continuing operations	(60,617,467)	(59,100,088)
Total surplus for year	4,134,566	7,002,427
Movement on Capital funds	(6,735,892)	(6,212,886)
Total Net Income for the year	(2,601,326)	789,541
Movement on Restricted funds	2,181,897	(3,098,618)
Transfer from Restricted to Unrestricted funds	761,099	633,846
Movement on Permanent Endowment funds	(1,000,000)	–
Transfer from Permanent Endowment to General funds	–	–
Unrestricted Net Expenditure for the year	(658,330)	(1,675,231)
Movement on Designated funds	283,675	372,359
Transfer from Designated to General funds	(181,549)	1,151,208
Unrestricted Net Expenditure for the year on General Funds	(556,204)	(151,664)

The notes on pages 47 to 66 form part of these financial statements.

Consolidated Statement of Financial Activities for the year ended 31 March 2006

	Notes	Unrestricted funds	Restricted funds	Permanent Endowment funds	2006 Total funds	2005 Total funds
		£	£	£	£	£
Incoming resources						
<i>Incoming resources from generated funds</i>						
Voluntary income	2(a)	36,705,329	13,260,010	1,000,000	50,965,339	52,616,142
Activities for generating funds	2(b)	786,405	96,611	–	883,016	1,132,785
Investment income	2(c)	7,502,294	596,276	–	8,098,570	9,165,416
		<u>44,994,028</u>	<u>13,952,897</u>	<u>1,000,000</u>	<u>59,946,925</u>	<u>62,914,343</u>
<i>Incoming resources from charitable activities</i>						
Admissions & exhibition fees		1,171,550	–	–	1,171,550	1,371,942
Loans & touring exhibition fees		1,031,345	3,000	–	1,034,345	599,763
		<u>2,202,895</u>	<u>3,000</u>	<u>–</u>	<u>2,205,895</u>	<u>1,971,705</u>
<i>Other Incoming resources</i>						
Other income	3	1,181,530	417,683	–	1,599,213	1,216,467
Exceptional item	5(b)	1,000,000	–	–	1,000,000	–
		<u>2,181,530</u>	<u>417,683</u>	<u>–</u>	<u>2,599,213</u>	<u>1,216,467</u>
Total incoming resources		<u>49,378,453</u>	<u>14,373,580</u>	<u>1,000,000</u>	<u>64,752,033</u>	<u>66,102,515</u>
Resources expended						
<i>Cost of generating funds</i>						
Costs of generating voluntary income		2,981,720	9,637	–	2,991,357	3,273,248
Fundraising trading: cost of goods sold and other costs		8,057,785	4,674	–	8,062,459	8,773,764
Investment management costs		23,026	21,935	–	44,961	28,904
		<u>11,062,531</u>	<u>36,246</u>	<u>–</u>	<u>11,098,777</u>	<u>12,075,916</u>
<i>Charitable Activities</i>						
To provide optimum access to the Collections for diverse audiences now and in the future		43,112,944	3,270,871	–	46,383,815	43,631,174
Governance costs		1,175,820	17,726	–	1,193,546	1,180,019
<i>Other resources expended</i>						
Museum Developments		348,128	1,593,201	–	1,941,329	2,212,979
Total resources expended	5(a)	<u>55,699,423</u>	<u>4,918,044</u>	<u>–</u>	<u>60,617,467</u>	<u>59,100,088</u>

Consolidated Statement of Financial Activities for the year ended 31 March 2006 (cont'd)

	Notes	Unrestricted funds	Restricted funds	Permanent Endowment funds	2006 Total funds £	2005 Total funds £
		£	£	£	£	£
Net (outgoing)/incoming resources before exceptional items		(6,320,970)	9,455,536	1,000,000	4,134,566	7,002,427
Exceptional item	5(b)	–	–	–	–	(675,614)
Net (outgoing)/incoming resources before notional costs		(6,320,970)	9,455,536	1,000,000	4,134,566	6,326,813
Cost of capital	6	(7,072)	(9,480,323)	–	(9,487,395)	(9,232,571)
Net resources expended after notional costs		(6,328,042)	(24,787)	1,000,000	(5,352,829)	(2,905,758)
Reversal of notional costs		7,072	9,480,323	–	9,487,395	9,232,571
Net (outgoing)/incoming resources before transfers		(6,320,970)	9,455,536	1,000,000	4,134,566	6,326,813
Gross transfers between funds		6,035,695	(6,035,695)	–	–	–
Net incoming resources after transfers		(285,275)	3,419,841	1,000,000	4,134,566	6,326,813
Gains/(losses) on investment assets	8	770,797	11,049	417,302	1,199,148	495,701
Gain on revaluation of fixed assets for the charity's own use		–	4,367,416	–	4,367,416	15,083,725
Net movement in funds		485,522	7,798,306	1,417,302	9,701,130	21,906,239
Fund balances b fwd at 1 April 2005		5,508,319	341,936,852	3,016,335	350,461,506	328,555,267
Fund balances c fwd at 31 March 2006		5,993,841	349,735,158	4,433,637	360,162,636	350,461,506

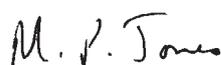
All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

The notes on pages 47 to 66 form part of these financial statements.

Consolidated and Museum Balance Sheets as at 31 March 2006

	Notes	Group 2006 £	Museum 2006 £	Group 2005 £	Museum 2005 £
Fixed assets					
Tangible assets	7	344,570,482	344,110,270	334,371,381	333,775,070
Investments	8	6,422,291	6,624,819	5,388,404	5,590,932
		350,992,773	350,735,089	339,759,785	339,366,002
Current assets					
Stock		971,826	–	1,070,392	–
Debtors	10	6,389,343	7,519,654	5,604,354	6,910,993
Cash		11,817,578	11,189,341	14,945,749	14,289,367
		19,178,747	18,708,995	21,620,495	21,200,360
Creditors due within one year	11	(9,488,034)	(8,760,598)	(10,522,467)	(9,708,549)
		9,690,713	9,948,397	11,098,028	11,491,811
Net current assets					
		360,683,486	360,683,486	350,857,813	350,857,813
Total assets less current liabilities					
Provisions for liabilities and charges	12	(520,850)	(520,850)	(396,307)	(396,307)
		360,162,636	360,162,636	350,461,506	350,461,506
Net assets					
Income funds					
Designated funds		6,016,286	6,016,286	5,090,835	5,090,835
General funds		(22,445)	(22,445)	417,484	417,484
Unrestricted funds	14	5,993,841	5,993,841	5,508,319	5,508,319
Restricted funds	14	349,735,158	349,735,158	341,936,852	341,936,852
		355,728,999	355,728,999	347,445,171	347,445,171
Total income funds					
Permanent endowment funds	14	4,433,637	4,433,637	3,016,335	3,016,335
		360,162,636	360,162,636	350,461,506	350,461,506
Total funds					

The financial statements on pages 42 to 66 were approved by the Director and the Chairman.



MARK JONES
Director and Accounting Officer
13 July 2006



PAULA RIDLEY OBE
Chairman of Trustees
13 July 2006

Consolidated Cashflow Statement for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	16	8,276,394	13,388,525
Returns on investments	17	873,752	714,996
Capital expenditure and financial investment	17	(13,278,317)	(11,088,133)
Financing	17	1,000,000	–
Increase in cash and cash equivalents	19	<u>(3,128,171)</u>	<u>3,015,388</u>

The notes on pages 47 to 66 form part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 March 2006

1 Accounting policies

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and with the exception of investments which have been included at market value, and comply with Statement of Recommended Practice "Accounting and Reporting by Charities", applicable accounting standards, the requirements of the Companies Act and the Accounts Direction issued by the Department for Culture, Media & Sport in 2005 and in a form directed by the Secretary of State with the consent of Treasury in accordance with the Museums and Galleries Act 1992.

Consolidated accounts have been prepared which include the Museum accounts and the Museum's trading subsidiary V&A Enterprises Ltd., consolidated on a line-by-line basis. The Museum Trustees act as Trustees to all the individual funds within the Museum accounts apart from the London Archives of the Dance for which the Director is a trustee along with two non-Museum trustees. The Museum owns the whole of the issued share capital of V&A Enterprises Ltd and exercises further control through its overall majority voting powers by virtue of the fact that two of the Museums Trustees as well as the Museum Director are directors of the company. The Friends of the V&A is a separate charitable company, run by its own board of trustees and is not consolidated into the Museum's accounts.

The comparative figures for 2004/05 have been restated in line with the requirements of the new Statement of Recommended Practice "Accounting and Reporting by Charities" 2005 so as to be comparable with the 2005/06 figures.

b) Incoming resources

Grant-in-Aid income from the Department for Culture, Media and Sport is shown in its entirety in the Statement of Financial Activities.

Gifts and donated assets are accounted for when received by the Museum.

Legacies are recognised as receivable when confirmation is received from the estate's executor.

All other income is accounted for on a receivable basis.

c) Expenditure

Expenditure is classified under the principal categories of Charitable activities and Costs of generating funds rather than by type of expense, in order to provide more useful information to the users of the financial statements. These categories comprise direct expenditure including direct staff costs attributable to the activity. Finance, Human Resources and Estate costs are allocated between the activities on the basis of staff numbers within these areas. Governance costs comprise the costs associated with the strategic management of the Museum.

Depreciation has been allocated to activities on a basis consistent with the use of assets and is charged based upon opening asset values.

Liabilities are recognised as they fall due.

d) Notional cost of capital

The notional cost of capital has been included in accordance with Treasury guidance.

e) Acquisitions for the collection

In accordance with the Financial Reporting Manual (FRM) as issued by the Treasury, additions to the collection acquired since 1st 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. Such items are not depreciated or revalued as a matter of routine.

f) Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum. Designated funds comprise unrestricted funds which have been set aside at the discretion of the Trustees for specific purposes. Restricted funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal. Permanent endowment funds are funds which the donor has stated are to be held as capital.

1 Accounting policies (cont'd)

The South Kensington, Bethnal Green and Blythe House sites are subject to restrictions on their disposal. As a result a transfer is made each year from Unrestricted to Restricted funds in respect of the government funded portion of capital movements in the year.

g) Tangible fixed assets

Tangible fixed assets are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. Assets with a value greater than £2,000 are capitalised and included in the balance sheet.

Depreciation has been provided on all opening gross book values of tangible assets except land calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Buildings – Structural, Fit-out and Plant & Machinery	– between 4 and 50 years
Furniture and Fittings	– between 4 and 20 years
Equipment	– between 4 and 10 years

For assets under construction, depreciation is not charged until the year the asset has been completed.

As stated above, acquisitions to the collection are not depreciated or revalued as a matter of routine.

h) Investments

Investments are stated at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result the Statement of Financial Activities includes only those unrealised gains arising from the revaluation of the investment portfolio throughout the year. Disclosure is made in note 8 of the difference between the historical cost and the sale proceeds of the investments sold during the year.

i) Stock and work in progress

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

j) Pension cost

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which are described at Note 5d. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Museum recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees services by payment to the Principal Civil Service Pension Scheme (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 schemes, the Museum recognises the contributions payable for the year.

V & A Enterprises Ltd operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the company in an independently administered fund.

k) Operating leases

Rentals applicable to operating leases are charged to the Statement Of Financial Activities over the period in which the cost is incurred.

l) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement Of Financial Activities.

2a Voluntary income

	Unrestricted funds	Restricted funds	Permanent Endowment Funds	Total 2006	Total 2005
	£	£	£	£	£
Grant in aid	36,233,000	2,000,000	–	38,233,000	36,189,000
Donations	395,068	9,465,571	1,000,000	10,860,639	12,523,865
Donated objects	–	1,166,009	–	1,166,009	3,522,206
Legacies	77,261	105,788	–	183,049	2,000
Lottery income	–	522,642	–	522,642	379,071
	<u>36,705,329</u>	<u>13,260,010</u>	<u>1,000,000</u>	<u>50,965,339</u>	<u>52,616,142</u>

2b Activities for generating funds

Corporate Members	151,000	–	–	151,000	83,000
Patrons scheme	146,149	–	–	146,149	241,875
Sponsorship	489,256	96,611	–	585,867	807,910
	<u>786,405</u>	<u>96,611</u>	<u>–</u>	<u>883,016</u>	<u>1,132,785</u>

2c Investment Income

Interest receivable	215,916	478,793	–	694,709	562,033
British Government stocks	9,780	31,961	–	41,741	49,000
UK equities	43,128	83,901	–	127,029	96,948
Overseas equities	2,784	1,621	–	4,405	7,014
Exchange gains	5,868	–	–	5,868	–
	<u>277,476</u>	<u>596,276</u>	<u>–</u>	<u>873,752</u>	<u>714,995</u>
Trading Income (Note 9)	<u>7,224,818</u>	<u>–</u>	<u>–</u>	<u>7,224,818</u>	<u>8,450,420</u>
	<u>7,502,294</u>	<u>596,276</u>	<u>–</u>	<u>8,098,570</u>	<u>9,165,415</u>

3 Other Income

	2006	2005
	£	£
Commission fee on Restaurant income ¹	186,761	164,060
Other miscellaneous income	1,412,452	1,052,407
	<u>1,599,213</u>	<u>1,216,467</u>

¹ The Commission fee on Restaurant income is included within Other Income as the Museum does not bear the risk of trading.

4 Net incoming resources: is stated after charging:

	2006	2005
	£	£
Auditors' remuneration	50,000	41,650
Operating lease payments – Land and Buildings	901,957	1,229,725
– Other	190,562	159,508

5a Total resources expended

	Staff Costs £	Other Costs £	Depreciation £	Total 2006 £	Total 2005 £
<i>Cost of generating funds</i>					
Costs of generating voluntary income	1,628,853	1,300,416	62,088	2,991,357	3,273,248
Fundraising trading: cost of goods sold and other costs	2,811,478	5,008,102	242,879	8,062,459	8,773,764
Investment management costs	–	44,961	–	44,961	28,904
<i>Charitable Activities</i>					
To provide optimum access to the Collections for diverse audiences now and in the future	21,699,972	17,122,702	7,561,141	46,383,815	43,631,174
<i>Governance costs</i> ¹	362,731	722,689	108,126	1,193,546	1,180,019
<i>Other resources expended</i>					
Museum Developments	748,170	864,049	329,110	1,941,329	2,212,979
Total resources expended	27,251,204	25,062,919	8,303,344	60,617,467	59,100,088

¹ Governance staff costs represent the staff involved in the strategic management of the Museum. Also included within Governance costs are the costs of supporting these staff together with other strategic costs such as external audit costs of £50,000, Internal audit costs of £31,545, Legal fees of £30,161 and Consultancy fees of £79,066.

Support costs have been allocated in the activities above on the basis of staff numbers as follows:

	Costs of generating voluntary income	Fundraising trading: cost of goods sold and other costs	To provide optimum access to the Collections for diverse audiences now and in the future	Other resources expended	Total
Information services & support	74,935	173,184	1,390,350	33,304	1,671,773
Projects & Estates	304,291	703,250	5,645,823	135,240	6,788,604
Finance & Administration	63,932	147,754	1,186,204	28,415	1,426,305
Human Resources	49,576	114,574	919,824	22,033	1,106,007
	<u>492,734</u>	<u>1,138,762</u>	<u>9,142,201</u>	<u>218,992</u>	<u>10,992,689</u>

5b Exceptional Item

In 2005/06, the Natural History Museum (NHM) entered into negotiations with a private contractor for the provision of a Combined Heat and Power (CHP) facility. The V&A is contracting with the NHM on the back of this for the supply of its own heat and power. A sinking fund was created over several years by contributions from both the NHM and the V&A, in anticipation that it would create a reserve to finance future capital work. This is no longer needed as the private contractor will be undertaking the project. The total value of the fund is £2.7m, half of which is the V&A's share. The contract was finalised and signed on 5th July 2006 and £1m was received from the NHM on 6th July 2006 and has been accounted for as an adjusting post balance sheet event. (2004/05: £674,614 costs representing the discontinued Spiral Project.)

5c Wages and salaries

	2006 £	2005 £
Wages and salaries	21,268,613	20,416,361
Social security costs	1,699,014	1,664,442
Pension costs	3,449,123	2,500,837
Agency Temporary & Contract Staff	524,236	453,016
	<u>26,940,986</u>	<u>25,034,656</u>
Early retirement and severance costs	310,218	736,282
	<u>27,251,204</u>	<u>25,770,938</u>

5c Wages and salaries (cont'd)

During the year external funding was received in respect of salaries totalling £728,220 (2005: £589,936).

V&A Enterprises Ltd's staff costs were £3.454m (2005: £3.241m) of which £2.428m (2005: £2.288m) was for trading activities and £1.026m (2005: £0.953m) was for services provided to the museum.

The number of employees, including the Director, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows, and all employees listed are accruing retirement benefits under the the Principal Civil Service Pension

	2006	2005
£60,001 – £70,000	6	7
£70,001 – £80,000	3	4
£80,001 – £90,000	2	2
£90,001 – £100,000	1	–
£100,001 – £110,000	–	–
£110,001 – £120,000	–	1
£120,001 – £130,000	–	1
£130,001 – £140,000	1	–
	13	15

5d Director's Salary and Pension disclosure

	2006	2006	2006	2005	2005	2005
	Salary inc	Real increase in	Pension	2005	2005	2005
	performance	pension at age 60	accrued to date	Salary inc	Real increase in	Pension
	pay	payable at age 60	payable at age 60	performance pay	pension at age 60	accrued to date
	£	£	£	£	£	£
Mark Jones						
Director	137,100	2,229	60,090	120,000	8,411	56,340

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. There were no benefits in kind during the year.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Victoria and Albert Museum is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £3.225m were payable to the PCSPS (2004-05 £2.284m) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, museum staff 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.

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.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £27,400 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer's contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers' also match employee contributions up to 3% of pensionable pay.

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

5e Trustees

The Trustees neither received nor waived any emoluments during the year (2005: £nil). Expenses reimbursed to 2 trustees amounted to £2,495 (2005: £2,558).

5f Average number of employees (*)

	Management Board	Other Permanent	Agency/ Temporary Staff	Total 2006	Total 2005
Costs of generating voluntary income	1	41	3	45	42
Fundraising trading: cost of goods sold and other costs	–	104	–	104	98
To provide optimum access to the Collections for diverse audiences now and in the future	13	614	208	835	791
Governance costs	1	14	–	15	13
Other resources expended	–	20	–	20	21
	<u>15</u>	<u>793</u>	<u>211</u>	<u>1,019</u>	<u>965</u>

(*) based on full-time equivalents.

6 Notional cost of capital

Notional cost of capital calculation is a requirement of Treasury and is calculated as 3.5% (2005: 3.5%) of the average non-donated capital employed by the Museum in the year.

7 Tangible fixed assets

Group	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course of construction £	Total £
Cost or valuation						
At 1 April 2005	304,054,158	1,758,177	3,186,085	25,804,792	5,158,287	339,961,499
Re-classification	2,278,931	–	–	–	(2,278,931)	–
Additions	5,013,051	156,584	848,067	2,248,087	6,343,797	14,609,586
Disposals	(1,573,167)	(83,710)	(14,613)	–	–	(1,671,490)
Revaluation	(3,256,848)	–	–	–	–	(3,256,848)
At 31 March 2006	<u>306,516,125</u>	<u>1,831,051</u>	<u>4,019,539</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>349,642,747</u>
Depreciation						
At 1 April 2005	2,778,188	738,531	2,073,399	–	–	5,590,118
Re-classification	–	–	–	–	–	–
Charged for the year	7,266,665	411,937	624,742	–	–	8,303,344
Disposals	(1,573,166)	(83,710)	(14,613)	–	–	(1,671,489)
Revaluation	(7,149,708)	–	–	–	–	(7,149,708)
At 31 March 2006	<u>1,321,979</u>	<u>1,066,758</u>	<u>2,683,528</u>	<u>–</u>	<u>–</u>	<u>5,072,265</u>
Net book value						
At 31 March 2006	<u>305,194,146</u>	<u>764,293</u>	<u>1,336,011</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>344,570,482</u>
At 31 March 2005	<u>301,275,970</u>	<u>1,019,646</u>	<u>1,112,686</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>334,371,381</u>

The net book value at 31 March 2006 represents fixed assets of the Group for:

	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course of construction £	Total £
Charitable activities	233,531,183	584,829	1,022,301	21,465,753	7,057,455	263,661,520
Other activities	71,662,963	179,464	313,710	6,587,126	2,165,698	80,908,962
Total	<u>305,194,146</u>	<u>764,293</u>	<u>1,336,011</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>344,570,482</u>

Fixed assets are split between direct charitable activities and other activities in the same ratio as charitable expenditure to total expenditure for the year.

7 Tangible fixed assets (cont'd)

Museum	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course of construction £	Total £
Cost or valuation						
At 1 April 2005	304,054,158	1,183,135	2,985,248	25,804,792	5,158,287	339,185,620
Re-classification	2,278,931	–	–	–	(2,278,931)	–
Additions	5,013,051	149,855	784,170	2,248,087	6,343,797	14,538,960
Disposals	(1,573,167)	(25,680)	–	–	–	(1,598,847)
Revaluation	(3,256,848)	–	–	–	–	(3,256,848)
At 31 March 2006	<u>306,516,125</u>	<u>1,307,310</u>	<u>3,769,418</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>348,868,885</u>
Depreciation						
At 1 April 2005	2,778,188	604,290	2,028,072	–	–	5,410,550
Re-classification	–	–	–	–	–	–
Charged for the year	7,266,665	271,394	558,560	–	–	8,096,619
Disposals	(1,573,166)	(25,680)	–	–	–	(1,598,846)
Revaluation	(7,149,708)	–	–	–	–	(7,149,708)
At 31 March 2006	<u>1,321,979</u>	<u>850,004</u>	<u>2,586,632</u>	<u>–</u>	<u>–</u>	<u>4,758,615</u>
Net book value						
At 31 March 2006	<u>305,194,146</u>	<u>457,306</u>	<u>1,182,786</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>344,110,270</u>
At 31 March 2005	<u>301,275,970</u>	<u>578,845</u>	<u>957,176</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>333,775,070</u>

The net book value at 31 March 2006 represents fixed assets of the Museum for:

	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course of construction £	Total £
Charitable activities	233,531,183	349,925	905,055	21,465,753	7,057,455	263,309,371
Other activities	71,662,963	107,381	277,731	6,587,126	2,165,698	80,800,899
Total	<u>305,194,146</u>	<u>457,306</u>	<u>1,182,786</u>	<u>28,052,879</u>	<u>9,223,153</u>	<u>344,110,270</u>

Fixed assets are split between direct charitable activities and other activities in the same ratio as charitable expenditure to total expenditure for the year.

Acquisitions for the Collection

Additions of **£2.248m** (2005: £4.809m) were made to the Collection. The additions comprise the following elements:

	2006 £	2005 £
Donations of objects by gift or bequest	587,459	372,206
Donations of objects under the acceptance in lieu scheme	578,550	3,150,000
	1,166,009	3,522,206
Acquisitions funded from unrestricted funds	424,253	546,577
Acquisitions funded by specific grants and donations (restricted funds)	657,825	740,305
Total Additions	<u>2,248,087</u>	<u>4,809,088</u>

7 Tangible fixed assets (cont'd)

On the 31st March 2006 a desktop valuation was carried out by Gerald Eve (Chartered Surveyors) in accordance with the RICS appraisal and valuations manual. The last full valuation was carried out on 31st March 2004. The site at South Kensington was valued at £297.9m, the site at Bethnal Green at £9.2m and the V&A's share of Blythe House at £7.0m. The net revaluation surplus arising of £4.1m on the site at South Kensington and of £0.1m on the site at Bethnal Green were transferred to Revaluation Reserve. No surplus or deficit arose on the revaluation of the site at Blythe House.

In addition, the following leasehold properties were also subject to a desktop valuation by Gerald Eve (Chartered Surveyors) as at 31 March 2006. The valuation amounts are:

Property	Title	Basis of Valuation	2006 £'000	2005 £'000
Museum of Performance, WC2	Leasehold	Existing Use Value	970	950
88 Kirtling Street, SW8	Leasehold	Existing Use Value	275	315

The valuation of leaseholds reflects any differences between rent being paid and current market rent.

The appropriate basis of valuation for financial statements is normally Existing Use value. However, the Museum in Cromwell Road and the Museum of Childhood in Bethnal Green are of such a construction and specialised use that an Existing Use basis of valuation is inappropriate. The lack of demand or market value for the property in isolation from its current use is such that the land and buildings are most appropriately valued according to their Depreciated Replacement Cost.

8 Investments

	2006 £	2005 £
Market value at 1 April	5,388,404	4,944,822
Add: Acquisitions at cost	2,256,668	809,845
Less: Disposal proceeds	(2,421,929)	(861,964)
Net gain on revaluation	<u>1,199,148</u>	<u>495,701</u>
Market value at 31 March	6,422,291	5,388,404
Historical cost at 31 March	5,210,017	4,989,252
Unrealised investment gain/(loss) at 31 March	<u>1,212,274</u>	<u>399,152</u>
Investment gain/(loss) based on historic costs	<u>381,970</u>	<u>29,191</u>

All investments are listed on a recognised stock exchange and are analysed as follows:

	2006 £	2005 £
Investment assets in the UK	5,285,772	4,399,454
Investment assets outside the UK	<u>1,136,519</u>	<u>988,950</u>
	<u>6,422,291</u>	<u>5,388,404</u>

All investments are classified as fixed asset investments given that these assets are for the long term use of the business.

The Role of 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 the museum faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet have been omitted from this note.

Liquidity Risk

- The majority of income (ie 60%) is received by way of Grant in Aid. The remainder of operational costs must be financed by self-generated income which is volatile. This risk is managed through the Museum's policy to maintain general and designated funds and is reviewed periodically.

8 Investments (cont'd)*Foreign Currency Risk*

– The Museum's exposure to foreign currency risk is not significant.

Interest Rate Risk

– The Museum has no exposure to interest rate risk on its financial liabilities. The interest risk on its financial assets are as follows:

	Total £'000	Floating Rate Financial Assets £'000	Fixed Rate Financial Assets £'000	Non-interest Bearing Financial Assets £'000	Assets Earning Equity Return £'000	Weighted Average Fixed interest rate %	Weighted Average Period for which rate is fixed Yrs
At 31 March 2006							
Sterling	16,837	11,598	716	(47)	4,570	6.30%	10.75
Other	1,404	218	–	49	1,137	0.00%	–
Total	18,241	11,816	716	2	5,707	6.30%	10.75
At 31 March 2005							
Sterling	19,415	14,583	713	260	3,859	6.60%	8.18
Other	919	68	80	35	736	3.50%	3.53
Total	20,334	14,651	793	295	4,595	6.29%	7.71
Reconciliation to Accounts						2006	2005
						£'000	£'000
Cash						11,818	14,946
Investments (Fixed Assets)						6,422	5,388
Debtors (Accrued interest portion only)						–	–
						18,240	20,334

9 Trading subsidiary

The Museum owns the whole of the issued share capital of V&A Enterprises Limited, a company registered in England and Wales. The company's principal activities are the sale of books and other materials relating to art, craft and design, and the granting of licences of goods inspired by, or reproduced from, artefacts displayed in the Museum. The company runs V&A Publications and V&A Picture Library and operates both a corporate entertainment business and the educational services facility based at the Museum.

In respect of an un-drawn overdraft facility Coutts & Co hold a Mortgage Debenture dated 22 March 1988 over the company's assets. This is in the form of a floating charge.

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

	2006	2005
	£	£
<u>Profit and loss account</u>		
Turnover	7,224,818	8,450,420
Cost of sales	(2,590,245)	(3,262,168)
Gross Profit	4,634,573	5,188,252
Administrative expenses	(4,308,409)	(4,298,577)
Other Operating Income – Management Fee	–	–
Trading profit	326,164	889,675
Interest receivable and similar income	26,912	22,219
Payment under gift aid to Museum	(293,288)	(872,218)
Profit on Ordinary Activities before Taxation	59,788	39,676
Taxation	(59,788)	(39,676)
Retained in subsidiary	–	–
<u>Balance sheet</u>		
Tangible fixed assets	460,212	596,311
Current assets	2,588,954	2,835,008
Creditors	(2,846,638)	(3,228,791)
Net assets	202,528	202,528
Share capital and reserves	202,528	202,528

Reconciliation of results of trading company to the consolidated Statement of Financial Activities:

	2006	2005
	£	£
Turnover	7,224,818	8,450,420
Other Operating Income – Management Fee	–	–
<i>Intercompany transactions</i>	–	–
Trading income included in Investment Income per SOFA	7,224,818	8,450,420
Cost of sales	2,590,245	3,262,168
Administrative expenses	4,308,409	4,298,577
Taxation	59,788	39,676
<i>Intercompany transactions</i>	(34,745)	(33,082)
Trading costs included within SOFA	6,923,697	7,567,339
Interest receivable and similar income	26,912	22,219
<i>Intercompany transactions</i>	–	–
Included in Investment Income per SOFA	26,912	22,219

10 Debtors

	Group 2006	Museum 2006	Group 2,005	Museum 2005
	£	£	£	£
Trade debtors	1,813,224	1,784,000	2,399,372	1,803,163
Other debtors	469,236	421,401	1,418,064	1,360,219
Prepayments and accrued income	2,913,347	2,414,411	676,561	332,278
Recoverable taxation	1,193,536	1,193,536	1,110,357	1,110,357
Amounts due from subsidiary undertaking	–	1,706,306	–	2,304,976
	<u>6,389,343</u>	<u>7,519,654</u>	<u>5,604,354</u>	<u>6,910,993</u>

11 Creditors: amounts falling due within one year

	Group 2006	Museum 2006	Group 2005	Museum 2005
	£	£	£	£
Trade creditors	2,062,583	1,681,698	3,232,432	2,747,248
Other creditors	56,876	56,876	143,774	143,774
Accruals	3,042,103	2,695,552	3,197,370	2,868,636
Deferred income 11 (b)	3,518,013	3,518,013	3,243,846	3,243,846
Taxation and social security costs	808,459	808,459	705,045	705,045
	<u>9,488,034</u>	<u>8,760,598</u>	<u>10,522,467</u>	<u>9,708,549</u>

11b Deferred Income

	2006	2005
	£	£
As at 1 April	3,243,846	27,543
Deferred in current year	650,799	3,243,846
Released from previous year	(376,632)	(27,543)
As at 31 March	<u>3,518,013</u>	<u>3,243,846</u>

12 Provisions for liabilities and charges

	2006	2005
	£	£
As at 1 April	396,307	389,117
Provision in year	310,219	162,609
Paid in year	(185,676)	(155,419)
As at 31 March	<u>520,850</u>	<u>396,307</u>
Provision for future pension costs:		
Amounts payable within one year	198,088	116,499
Amounts payable after one year	322,762	279,808
	<u>520,850</u>	<u>396,307</u>

The provisions relate to those early retiring employees for whom the Museum will continue to pay PCSPS contributions until they reach 60 years old.

13 Financial commitments

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

	2006	2006	2005	2005
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	–	132,380	328,679	2,253
Between two to five years	–	53,938	–	224,314
After five years	575,000	–	575,000	–
	<u>575,000</u>	<u>186,318</u>	<u>903,679</u>	<u>226,567</u>

14 Statement of funds

	As at 1 April 2005 £	Incoming Resources £	Resources Expended £	Transfers £	Gains/ losses & Revaluation £	As at 31 March 2006 £
Unrestricted Funds						
<u>General Income funds</u>						
General fund ²³	(178,642)	42,208,652	(43,416,908)	397,010	–	(989,888)
Development funds	596,126	80,418	(7,916)	(27,964)	326,779	967,443
V&A Enterprises Ltd	–	6,923,697	(6,923,697)	–	–	–
	<u>417,484</u>	<u>49,212,767</u>	<u>(50,348,521)</u>	<u>369,046</u>	<u>326,779</u>	<u>(22,445)</u>
<u>Designated Income funds</u>						
Acquisitions ²	75,975	14,823	(429,660)	392,053	–	53,191
Islamic Museum	8,299	–	–	–	–	8,299
Branch Museum	93,109	22,432	(5,028)	–	–	110,513
Bequests	3,878,252	128,431	(14,673)	–	444,018	4,436,028
	<u>4,055,635</u>	<u>165,686</u>	<u>(449,361)</u>	<u>392,053</u>	<u>444,018</u>	<u>4,608,031</u>
<u>Designated Capital funds</u>						
South Kensington site designated fund ¹	–	540,858	(5,523,427)	4,982,569	–	–
Bethnal Green site designated fund ¹	–	–	(548,933)	548,933	–	–
Blythe House site designated fund ¹	–	–	(167,347)	167,347	–	–
Museum assets designated fund	1,035,200	934,025	(560,970)	–	–	1,408,255
Acquisitions designated fund ¹	–	424,253	–	(424,253)	–	–
Additions eliminated designated fund	–	(1,899,136)	1,899,136	–	–	–
	<u>1,035,200</u>	<u>–</u>	<u>(4,901,541)</u>	<u>5,274,596</u>	<u>–</u>	<u>1,408,255</u>
Total Unrestricted Funds	<u>5,508,319</u>	<u>49,378,453</u>	<u>(55,699,423)</u>	<u>6,035,695</u>	<u>770,797</u>	<u>5,993,841</u>
Restricted Funds						
<u>Restricted Income funds</u>						
Acquisitions for the Collection	119,402	534,149	(517,147)	10,911	–	147,315
Collections & Research funds	1,098,367	262,465	(218,825)	18	11,049	1,153,074
Collection Services funds	403,377	171,232	(190,903)	(1,000)	–	382,706
Exhibitions funds	300,141	673,901	(305,899)	(1,064)	–	667,079
Contemporary Programme funds	–	134,943	(114,470)	–	–	20,473
Learning & Interpretation funds	121,712	931,884	(818,580)	14,323	–	249,339
Branch Museum funds	422,501	841,220	(900,320)	–	–	363,401
Museum Development funds ²	6,500,984	9,516,537	(11,473,836)	(806,420)	–	3,737,265
Permanent endowment funds income	230,498	141,240	(81,381)	22,132	–	312,489
	<u>9,196,982</u>	<u>13,207,571</u>	<u>(14,621,361)</u>	<u>(761,100)</u>	<u>11,049</u>	<u>7,033,141</u>

14 Statement of funds (cont'd)

	As at 1 April 2005 £	Incoming Resources £	Resources Expended £	Transfers £	Gains/ losses & Revaluation £	As at 31 March 2006 £
Restricted Capital funds						
South Kensington site restricted fund ¹	214,749,154	10,107,850	(1,225,350)	(4,982,569)	4,500,000	223,149,085
South Kensington revaluation fund	75,150,846	–	–	–	(399,931)	74,750,915
	<u>289,900,000</u>	<u>10,107,850</u>	<u>(1,225,350)</u>	<u>(4,982,569)</u>	<u>4,100,069</u>	<u>297,900,000</u>
Bethnal Green site restricted fund ¹	9,100,000	708,140	(159,208)	(548,932)	100,000	9,200,000
Blythe House site restricted fund ¹	7,000,000	–	–	(167,347)	167,347	7,000,000
Museum Assets restricted fund	935,078	–	(385,940)	–	–	549,138
Acquisitions restricted fund ¹	25,804,792	1,823,834	–	424,253	–	28,052,879
Additions eliminated restricted fund	–	(11,473,815)	11,473,815	–	–	–
	<u>332,739,870</u>	<u>1,166,009</u>	<u>9,703,317</u>	<u>(5,274,595)</u>	<u>4,367,416</u>	<u>342,702,017</u>
Total Restricted Funds	<u>341,936,852</u>	<u>14,373,580</u>	<u>(4,918,044)</u>	<u>(6,035,695)</u>	<u>4,378,465</u>	<u>349,735,158</u>
Permanent endowment	3,016,335	1,000,000	–	–	417,302	4,433,637
Total Permanent Endowment Funds	<u>3,016,335</u>	<u>1,000,000</u>	<u>–</u>	<u>–</u>	<u>417,302</u>	<u>4,433,637</u>
Total Funds	<u>350,461,506</u>	<u>64,752,033</u>	<u>(60,617,467)</u>	<u>–</u>	<u>5,566,564</u>	<u>360,162,636</u>

¹ Transfers are made each year from Unrestricted to Restricted funds in respect of the Government funded portion of Capital movements since the assets are subject to restrictions on their disposal.

² Transfers have been made from Restricted to Unrestricted funds in respect of funds where the status of the fund has been further clarified or to re-imburse Unrestricted funds which have borne Restricted expenditure.

³ The deficit on the general fund is a result of planned expenditure during the year.

15 Analysis of group net assets between funds

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total 2006 £	Total 2005 £
Fund balances at 31 March 2006 are represented by:					
Tangible fixed assets	1,868,467	342,702,015	–	344,570,482	334,371,381
Investments	2,254,982	1,604,490	2,562,819	6,422,291	5,388,404
Current assets	11,879,276	5,428,653	1,870,818	19,178,747	21,620,495
Current liabilities	(9,488,034)	–	–	(9,488,034)	(10,522,467)
Provision for liabilities and charges	(520,850)	–	–	(520,850)	(396,307)
Net assets	<u>5,993,841</u>	<u>349,735,158</u>	<u>4,433,637</u>	<u>360,162,636</u>	<u>350,461,506</u>
Unrealised gains included above on fixed asset investments	337,316	445,968	428,990	1,212,274	399,152
Total unrealised gains at 31 March 2006	<u>337,316</u>	<u>445,968</u>	<u>428,990</u>	<u>1,212,274</u>	<u>399,152</u>

16 Reconciliation of changes in resources to net inflow from operating activities

	2006 £	2005 £
Net incoming resources	2,134,566	6,326,813
Investment income	(873,752)	(714,996)
Net incoming resources before transfer and revaluations	1,260,814	5,611,817
Donated assets acquired	(1,166,009)	(3,522,206)
Depreciation	8,303,344	7,309,719
Loss on fixed assets	1	525,640
Write down on revaluation	474,557	296,187
(Increase)/decrease in stocks	98,566	254,394
Decrease/(increase) in debtors	215,011	(293,433)
(Decrease)/Increase in creditors	(1,034,433)	3,199,217
(Decrease)/Increase in provisions for liabilities and charges	124,543	7,190
Net cash inflow from operating activities	<u>8,276,394</u>	<u>13,388,525</u>

17 Analysis of cash flows

	2006 £	2005 £
<u>Return on investments:</u>		
Investment income	873,752	714,996
<u>Capital expenditure and financial investment:</u>		
Payments to acquire tangible fixed assets	(13,443,578)	(11,140,252)
Purchase of investments	(2,256,668)	(809,845)
Proceeds from sale of investments	2,421,929	861,964
	<u>(13,278,317)</u>	<u>(11,088,133)</u>
<u>Financing:</u>		
(Decrease)/ increase in Permanent Endowments	1,000,000	–

18 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase in cash in the period	(3,128,171)	3,015,388
Cashflow from change in liquid resources	-	-
Movement in net funds in the period	(3,128,171)	3,015,388
Net funds at 1 April	14,945,749	11,930,361
Net funds at 31 March	11,817,578	14,945,749

19 Analysis of net funds

	At 1 April 2005	Cashflow	At 31 March 2006
	£	£	£
Cash at bank and in hand	14,945,749	(3,128,171)	11,817,578
Liquid resources	-	-	-
Net funds	<u>14,945,749</u>	<u>(3,128,171)</u>	<u>11,817,578</u>

20 Capital commitments

	2006	2005
	£	£
Capital expenditure commitments were as follows:		
Contracted for, but not provided in the accounts	<u>5,276,076</u>	<u>4,678,710</u>
Authorised, but not contracted for	<u>7,600,580</u>	<u>3,135,354</u>

21 Related Party Transactions

The Victoria and Albert Museum is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS). Other bodies sponsored by DCMS are regarded as related parties, as are organisations in which Trustees or key members of management (or their connected persons) have an interest. During the year, the Victoria and Albert Museum entered into the following material related party transactions:

Related Party

	Amount Purchased	Amount Sold	Year end Debtors	Year end Creditors	Donations/ Grants Awarded
	£	£	£	£	£
Friends of the V&A	1,498	72,920	242,556	-	309,775
Imperial War Museum	20,117	102	102	-	-
National Heritage Memorial Fund	-	-	-	-	620,909
Natural History Museum	1,375,917	1,161,459	1,151,459	347,053	-
Royal College of Art	15,518	288,032	171,855	-	-
Science Museum	363,400	58,168	-	125,421	-
Pearson Business Services	-	-	-	-	32,784

The museum also held some shares in the Pearson Group. Dame Marjorie Scardino DBE who is a Trustee of the Museum and Chair of the Audit Committee is the Chief Executive of the Pearson Group. These shares are held as part of the Museum's overall investment portfolio which is managed by Chiswell Associates Ltd. All decisions regarding investments are made at the discretion of the investment manager, without influence from the Museum.

Four Trustees donated a total of £324,500 during the year.

No other Trustee or staff member obtained any personal pecuniary benefit from these transactions and no Trustee or staff member had any other material transactions with the Museum in the year.

The Director and Deputy Director of the Victoria and Albert Museum serve unremunerated on the Board of V&A Enterprises Limited.

22 Statement of fund commitments as at 31st March 2006

	As at 31 March 2006 £	As at 31 March 2005 £
<u>Funds available for spending at Trustees' Discretion:</u>		
General Grant in Aid fund	(989,888)	(178,645)
General Development funds ¹	764,915	393,602
Designated income funds ²	4,608,031	4,055,632
	4,383,058	4,270,589
<u>Funds raised for specific purposes:</u>		
Restricted income funds	7,033,141	9,196,983
Total funds available for spending	11,416,199	13,467,572
 <u>Funds not available for Trustees' spending:</u>		
General funds and share capital of V&A Enterprises ¹	202,528	202,528
Permanent endowment funds (Capital element)	4,433,637	3,016,335
Capital funds (Fixed Assets) ³	344,110,272	333,775,071
Total funds not available for spending	348,746,437	336,993,934
Total funds in balance sheet⁴	360,162,636	350,461,506

¹ The total of these funds corresponds to the figure of £967,443 disclosed in Note 14 under unrestricted Development Funds.

² Designated income funds are held for multi-year capital and operational projects where the exact timing of expenditure may vary.

³ These funds are set aside to fund the future depreciation of fixed assets.

⁴ A further breakdown of these funds may be found at Note 14.

23 Permanent Endowment (Capital and Income funds)

This note combines the capital and income in respect of each fund. The income element of each Permanent Endowment fund represents income that has accumulated on the fund and is therefore available for the museum to spend. The capital element is the original capital donation (subject to capital gains and losses) which must be preserved.

	As at 1 April 2005 £	Incoming Resources £	Resources Expended £	Transfers £	Net Investment Gains/ (losses) £	As at 31 March 2006 £
Brigadier Clarke Bequest	776,484	22,244	(2,820)	–	65,819	861,727
Dr S L England	68,191	2,363	(949)	–	6,993	76,598
Elsbeth A Evans Fund	147,603	4,896	(2,480)	–	14,486	164,505
Enthoven Bequest	142,364	4,722	(599)	–	13,971	160,458
Farquharson Bequest	9,353	297	(38)	–	880	10,492
Farquharson Prize	2,549	49	(6)	–	146	2,738
Hildburgh Bequest	106,701	3,539	(3,448)	–	10,472	117,264
Horn Bequest	93,755	3,110	(394)	–	9,201	105,672
Hugh Phillips Bequest	1,453,039	49,837	(64,315)	12,500	147,463	1,598,524
J R Jones Bequest	4,171	138	(18)	–	409	4,700
James Yorke-Radleigh Bequest	198,925	6,896	(874)	–	20,406	225,353
John Webb Trust Fund	30,519	1,012	(128)	–	2,995	34,398
London Archives of the Dance	6,350	210	–	–	–	6,560
Murray Legacy	189,976	6,301	(798)	–	18,644	214,123
Sackler Endowment	–	517,567	(2,226)	9,632	51,981	576,954
Stephenson Bequest	8,104	269	(34)	–	795	9,134
William Bollinger Jewellery Fund	–	517,567	(2,226)	–	51,980	567,321
Williams Prize	8,749	223	(28)	–	661	9,605
Total Funds	3,246,833	1,141,240	(81,381)	22,132	417,302	4,746,126

24 Contingent Liabilities

There are no contingent liabilities as at 31st March 2006 (2005: Nil).

25 The 'Super' SOFA (Statement of Financial Activities)

	INCOME AND EXPENDITURE FUNDS						CAPITAL FUNDS			COLLECTION AND ACQUISITION FUNDS			TOTAL FUNDS		
	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006	2006
	Unrestricted funds	Designated funds	Unrestricted funds	Perm Endow funds	Total funds	Unrestricted funds	Restricted funds	Total funds	Unrestricted funds	Restricted funds	Total funds	Unrestricted funds	Restricted funds	Perm Endow funds	Total funds
Incoming Resources															
<i>Incoming resources from generated funds</i>															
Voluntary income	36,705,329	-	36,705,329	1,000,000	47,799,330	-	2,000,000	2,000,000	-	1,166,009	1,166,009	36,705,329	13,260,010	1,000,000	50,965,339
Activities for generating funds	786,405	-	786,405	-	883,016	-	-	-	-	-	-	786,405	96,611	-	883,016
Investment income	7,336,608	165,686	7,502,294	-	8,098,570	-	-	-	-	-	-	7,502,294	596,276	-	8,098,570
	44,828,342	165,686	44,994,028	1,000,000	56,780,916	-	2,000,000	2,000,000	-	1,166,009	1,166,009	44,994,028	13,952,897	1,000,000	59,946,925
<i>Incoming resources from charitable activities</i>															
Admissions & exhibitions fees	1,171,550	-	1,171,550	-	1,171,550	-	-	-	-	-	-	1,171,550	-	-	1,171,550
Loans & touring exhibition fees	1,031,345	-	1,031,345	-	1,034,345	-	-	-	-	-	-	1,031,345	3,000	-	1,034,345
	2,202,895	-	2,202,895	3,000	2,205,895	-	-	-	-	-	-	2,202,895	3,000	-	2,205,895
<i>Other incoming resources</i>															
Other income	1,181,530	-	1,181,530	-	1,599,213	-	-	-	-	-	-	1,181,530	417,683	-	1,599,213
Exceptional item	1,000,000	-	1,000,000	-	1,000,000	-	-	-	-	-	-	1,000,000	-	-	1,000,000
	2,181,530	-	2,181,530	-	2,599,213	-	-	-	-	-	-	2,181,530	417,683	-	2,599,213
Total incoming resources	49,212,767	165,686	49,378,453	1,000,000	61,586,024	-	2,000,000	2,000,000	-	1,166,009	1,166,009	49,378,453	14,373,580	1,000,000	64,752,033
Resources expended															
<i>Cost of generating funds</i>															
Costs of generating voluntary income	2,949,718	-	2,949,718	-	2,949,718	32,002	9,637	41,639	-	-	-	2,981,720	9,637	-	2,991,357
Fundraising trading: cost of goods sold & other costs	7,866,842	-	7,866,842	-	7,866,842	190,943	4,674	195,617	-	-	-	8,057,785	4,674	-	8,062,459
Investment managers fees	8,353	14,673	23,026	-	44,961	-	-	-	-	-	-	23,026	21,935	-	44,961
	10,824,913	14,673	10,839,586	-	10,861,521	222,945	14,311	237,256	-	-	-	11,062,531	36,246	-	11,098,777
<i>Charitable activities</i>															
To provide optimum access to the Collections for diverse audiences now and in the future	37,005,489	434,688	37,440,177	-	41,333,874	6,097,020	34,999	6,132,019	(424,253)	(657,825)	(1,082,078)	43,112,944	3,270,871	-	46,383,815
Governance costs	1,085,419	-	1,085,419	-	1,085,419	90,401	17,726	108,127	-	-	-	1,175,820	17,726	-	1,193,546
Other resources expended	1,432,700	-	1,432,700	-	10,906,536	(1,084,572)	(7,880,635)	(8,965,207)	-	-	-	348,128	1,593,201	-	1,941,329
Total resources expended	50,348,521	449,361	50,797,882	-	64,187,350	5,325,794	(7,813,599)	(2,487,805)	(424,253)	(657,825)	(1,082,078)	55,699,423	4,918,044	-	60,617,467

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