

National Museums and Galleries on Merseyside Annual Report and Accounts 2011-2012

HC 762

£17.00

National Museums and Galleries on Merseyside Annual Report and Accounts 2011-2012

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

Ordered by the House of Commons to be printed on 22 November 2012

© National Museums and Galleries on Merseyside (2012)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context

The material must be acknowledged as National Museums and Galleries on Merseyside copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at National Museums & Galleries on Merseyside, World Museum, William Brown Street, Liverpool, L3 8EN

This publication is also for download at www.official-documents.gov.uk and from our website at www.liverpoolmuseums.org.uk

ISBN: 9780102980790

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2522417 11/12 24791 19585

Printed on paper containing 75% recycled fibre content minimum

Contents

	Page
Annual Report :	
Legal and Administration	2
Operating Review	7
Financial Review	15
Sustainability Report	22
Remuneration Report	27
Key Performance Indicators	34
Statement of Trustees' and Director's responsibilities	35
Governance Statement	36
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	43
Consolidated Statement of Financial Activities	45
Consolidated Balance Sheet	46
Museum Balance Sheet	47
Consolidated Cash Flow Statement	48
Notes forming part of the Financial Statements	49

National Museums & Galleries on Merseyside

Annual Report for the year ended 31 March 2012

Introduction

Legal and Administration

Status

National Museums & Galleries on Merseyside (NMGM) is an exempt charity by virtue of Schedule 3 to the Charities Act 2011.

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

NML has status as a Non Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport. The DCMS became the principal regulator of NML on 1 June 2010 and provides the majority of its revenue funding.

The ARA has been prepared in accordance with the accounting policies set out in Note 1 to the accounts and complies with the Charities SORP 2005, HM Treasury Financial Reporting Manual (FRM), and the applicable standards as modified by the Accounts Direction produced by the Secretary of State for Culture, Media and Sport. The ARA consolidates the ARA for the museum and the wholly owned trading company National Museums Liverpool Trading Ltd (NMLT).

Structure, Governance and Management

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

The primary purposes of NMGM are defined by the Merseyside Museums and Galleries Order 1986. They are to:

- care for, preserve and add to the collections of NMGM;
- secure that the collections are exhibited to the public;
- secure that the collections are available to persons seeking to inspect them in connection with study or research; and
- promote generally the public enjoyment and understanding of art, history and science both by means of the collections and by such other means as are considered appropriate.

Trustees

NML is governed by a Board of Trustees, appointed after consultation with the DCMS; the appointment process aims to ensure that appointees reflect a wide range of experience and expertise. Trustees receive an induction pack when appointed.

The Board of Trustees is responsible for the overall strategy of NML and has due regard to the guidance published by the Charities Commission. The Trustees monitor the risks facing NML, by receiving and considering reports on specific risks, in specific projects, identified within the papers submitted to the Board and Trustee Committees during the year.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

The Board of Trustees during the year comprised:

Professor Phil Redmond CBE Chairman
Prof John Ashton CBE
Carmel Booth
Laura Carstensen (appointed 16 October 2011)
Sir Robert Crawford CBE
Bryan Gray CBE DL (term expired 28 January 2012)
Rt Revd James Jones (resigned 12 May 2011)
Nisha Katona
Norman A Kurland
Alexis Redmond MBE (term expired 23 July 2011)
Neil Scales OBE
Deborah Shackleton CBE
Dr Nicola Thorp
Brian Wong (term expired 18 April 2012)

Trustee committees

The following Trustee committees met during the year:

Audit Committee, Chair – Bryan Gray CBE DL (to 19 September 2011), replaced by Deborah Shackleton from 20 September 2011
Museum of Liverpool Project Committee, Chair – Phil Redmond (to 19 September 2011), replaced by Neil Scales OBE from 20 September 2011
Development Trust, Chair – Professor Phil Redmond CBE
Finance Committee, Chair – Alexis Redmond MBE (to 7 September 2011), replaced by Carmel Booth from 8 September 2011
Remuneration Committee, Chair – Bryan Gray CBE DL

Register of interests

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

Related party transactions are shown in note 20.

Open government

NML complied with the requirements of the *Freedom of Information Act 2000*. NML's publication scheme can be found at

<http://www.liverpoolmuseums.org.uk/about/corporate/freedom-of-information/>

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

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

Principal and Registered Office of NML

World Museum
William Brown Street
Liverpool
L3 8EN

Bankers

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

Auditors

Consolidated Account

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

Trading Company

BWMacFarlane & Co
Cunard Building
Water Street
Liverpool
L3 1DS

Solicitors

DWF LLP
1 Scott Place
2 Hardman St
Manchester
M3 3AA

Gateley
98 King Street
Manchester
M2 4WU

Weightmans
100 Old Hall Street
Liverpool
L3 9QJ
for employment
law (previously Mace and Jones)

E Rex Makin & Co
Whitechapel
Liverpool
L1 1HQ

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

Management

At officer level the direction of NML is determined by the:

Director and Accounting Officer, National Museums Liverpool (David Fleming);
Executive Director of Development and Communications (Amy de Joia);
Executive Director of Finance (Ann Monk – from 1 March 2012);
Executive Director of the Museum of Liverpool Project (Sharon Granville);
Executive Director of Education, Communities and Visitor Services (Carol Rogers) and;
Director of Human Resources (Maxine Carden).

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

There are two further strategic management levels below the Executive Team, namely, the Senior Management Team, and the Managers' Communication Forum. Further information on the composition of these levels can be found in the Remuneration Report.

There are currently seven public museums within the NML family. These are: -

- World Museum (formerly Liverpool Museum) – William Brown Street, Liverpool;
- Walker Art Gallery - William Brown Street, Liverpool;
- Merseyside Maritime Museum – Albert Dock, Liverpool;
- International Slavery Museum – Albert Dock, Liverpool;
- Lady Lever Art Gallery – Port Sunlight Village, Bebington, Wirral;
- Sudley House – Mossley Hill Road, Liverpool
- Museum of Liverpool – Albert Dock, Liverpool opened in 2011.

The National Conservation Centre (Midland Railway Building) – Whitechapel, Liverpool was closed to the public on 17 December 2010.

Human Resources

NML places great importance upon the development of the potential within all staff and constantly seeks to enhance the skills and competencies the organisation needs to be successful. NML recruits staff through fair and open competition and, are committed to selection on merit. There were no instances where the "fair and open competition and selection on merit" procedures were by-passed.

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

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

There is a Joint Consultative Committee. NML formally recognises two trade unions: Prospect and the Public and Commercial Services Union.

The impact and our response to the Comprehensive Spending Review has been discussed with staff through individual and collective consultation processes and Making Choices meetings have been held with the trade unions.

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

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

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

Disabled Persons

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

There are currently 39 full-time equivalent employees of NML who consider themselves disabled. Appropriate training is arranged for people with disabilities, including retraining for employees who become disabled.

Access standards for display design and public use of buildings have been produced and are available to staff in electronic form, and supplied to designers on appointment.

Staff Resource Strategy

NML determines its staffing requirements and associated skill sets over the medium to longer-term through the Executive Team.

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

Volunteer Programme

Volunteers make a significant and diverse contribution to the success of NML. Over the year, we received the support of more than 700 volunteers, contributing more than 77,000 hours. Volunteers support us in all areas of the organisation in roles which range from administrative, curatorial and conservation assistance to assisting with visitor services and education and communities.

Health & Safety Policy

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

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

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

Operating Review

NML's mission is: *to change lives by enabling millions of people, from all backgrounds, to engage with our world-class museums.*

A four-year strategic plan was introduced in 2011-12, responding to the changing external environment and setting out NML's strategic objectives and delivery plan.

The current period of national austerity is proving extremely difficult for NML. Following a cut of 0.5% to resource Grant-in-Aid for the 2010-11 financial year, NML received an additional in year cut of 3% to resource Grant-in-Aid. This necessitated an overall reduction of almost £1million to the budgeted expenditure in that year. The announcement of further cuts to Grant-in-Aid over the current spending review period (2011-12 to 2014-15) has resulted in major changes to the way we work, on the social and economic impacts we are able to have, and on our international work. Given the current fiscal climate, NML has been told it would be prudent to have contingency plans in place in case further budget reductions are introduced over the course of the current spending review period.

Despite this, NML did have a very successful 2011-12. The following section is a summary of NML's key achievements during the year.

Audiences

2011-12 marked another record-breaking year for visitor numbers – with 3.2m visitors, a 23% increase on 2010-11, and the highest visitor figures in NML's history. 361,000 children and young people took part in NML's education programme during the year, and we had 2.1m website visits.

The Museum of Liverpool opened to the public in two phases. The People's Opening on 19 July heralded the opening of the second floor galleries, *Wondrous Place* and *The People's Republic*, and on the ground floor, the *Global City* gallery and the *Little Liverpool* children's gallery. The Royal Opening of Phase 2 by HM The Queen on 1 December 2011 marked the completion of the exhibition spaces with the opening of *The Great Port*, *History Detectives* and *City Soliders*, along with community and education activity areas. During the first eight months of opening (up to 31 March 2012), the Museum of Liverpool welcomed more than 900,000 visits against an annual target of 750,000.

We opened 18 new exhibitions across our venues. Particular highlights included:

- At the International Slavery Museum: *Toxteth 81*, *42 Women of Sierra Leone*, *White Gold: the cost of cotton*
- At the Lady Lever Art Gallery: *The Finishing Touch*, *An Age of Confidence*
- At the Merseyside Maritime Museum: *Living Apart*, *Titanic and Liverpool – the untold story*
- At Sudley House: *Costume Drama*
- At the Walker Art Gallery: *Art in Revolution*, *Like you've never been away: photographs by Paul Trevor*, *The Art Books of Matisse*, and *The Living and the Dead: paintings and sculptures by John Kirby*.
- At World Museum: *Eye for Colour*, and *Age of the Dinosaur* (our first charging exhibition for more than a decade).

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

We delivered 'Museum of Liverpool Comes to You!' outreach sessions to groups who are unable to visit the Museum – including The Alzheimer's Society, The Stroke Association, Marie Curie Cancer Care, Mossley Hill Hospital, and Liverpool Mutual Homes.

We continued our series of regional touring exhibitions, as part of our work with the North West Touring Exhibitions Group. *Telling Tales* (an exhibition of contemporary Begali scrolls from NML's collections) toured to four venues including Gallery Oldham, Stockport Museum the Brindley, and Williamson Museum and Art Gallery and attracted 24,000 visits. *Hitched: Wedding Clothes and Customs* (with NML collections as well contemporary bridal gowns from private lenders) was shown at Astley Hall in Chorley, the Haworth in Accrington, and Ordsall Hall, Salford – attracting more than 12,000 visits.

The exhibition *Plantastic!*, a major interactive science exhibition exploring the secret world of plants, has continued its European tour - to Belgium and the Netherlands in the year. For the period covered by this report the exhibition has attracted almost 110,000 visits.

The jury for the John Moores Painting Prize 2012 was selected in April 2011 and is made up of artists Fiona Banner, Angela de la Cruz and George Shaw, director of Whitechapel Art Gallery Iwona Blazwick and the BBC's Alan Yentob. The competition was launched on 3 October 2011 and closed on 31 January 2012 with more than 3,000 entries. Sir Peter Blake was announced as the first patron of the Painting Prize.

NML completed the *Through the Wall* project, funded by the North West Regional Development Agency (NWDA). The project - a city-wide graphic exhibition, designed to showcase Liverpool's cultural treasures - was shown at the Liverpool Arena and Convention Centre, at Lime Street station, and key travel and tourist information centres, and in the main retail district of the city.

We held our most successful Slavery Remembrance Day ever. Delivered in partnership with Liverpool City Council, more than 4,000 people attended the commemoration events.

To commemorate the 30th anniversary of the Toxteth riots, and in collaboration with the Merseyside Black History Month Group, the International Slavery Museum hosted a series of community workshops in Toxteth. Local residents shared their experiences and memories of the uprising and curators gathered oral histories, photographs and films to add to the Black British contemporary collecting strand of the Museum.

We delivered a participatory workshop at the Mersey Care/NHS Trust conference; '*Contemporary Approaches to Mental Health: an exploration*'. The workshop aimed to inspire medical staff to understand the benefits of prescribing social activity for their patients.

Collections

All preparatory work and safe installation of more than 6,000 items for Museum of Liverpool was completed.

We began a project to digitise 8,000 watercolours and drawings from the Walker Art Gallery's collections – with funding from The Molly Tomlinson Bequests.

3,000 oil paintings went online at the BBC *Your Paintings* website, and 150 oil paintings from the Walker Art Gallery are now available on Google Art.

We recruited and trained teams of more than 60 volunteers for object cleaning within stores and for the Stewart Bale Cleaning and Rehousing Project. 15,000 glass plate negatives from the Stewart Bale archive were sorted, cleaned and rehoused by the volunteers.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

We continued to improve collections care during the year through a robust programme of preventive conservation.

We added to our art collection with the acquisitions of *Metatopia* (from the artist, Nick Fox, John Moores Painting Prize runner-up in 2010), *Vanitas* (a digital photographic print by Scottish artist, Callum Colvin), and *A View of the Mersey Estuary at Waterloo*, painted in 1887 by the French artist Toussaint Gabriel Loppé.

Following the exhibition, *Dare to Wear: Glass Dresses by Diana Dias-Leao* at the Walker Art Gallery we received the gift of a Wedding Dress, from the artist. The dress is constructed out of fragments of iridescent glass, with a cotton and bead skirt fused onto a polystyrene and wood mannequin.

We acquired a number of items which went on display in the new Museum of Liverpool, including a piece commissioned from Roger McGough, Mark Cockram and students from Liverpool John Moores University. The resulting piece, *Liverpool Doors*, showcases Roger McGough's *Liverpool Saga Poem* and other works as visualised by the artists and comprises thirty five doors covered with poems and images.

We received a number of important donations for display in the Museum of Liverpool:

- Yoko Ono donated a full series of her *Imagine Peace* badges,
- the Liverpool Carters Working Horse Monument Fund donated *Waiting, the Monument to the Liverpool Working Horse* (a bronze sculpture by Judy Boyt). The Fund members worked for over ten years to raise money to erect this monument, which is displayed outside the Museum of Liverpool;
- a Holocaust Memorial Book created by the Liverpool branch of the Association of Jewish Refugees (AJR). The book features the family stories of members of the Jewish community who settled in Merseyside before the Second World War and commemorates relatives who were unable to escape the Holocaust;
- rare items relating to the Liverpool Overhead Railway.

Regional Archaeology acquired a number of excavation archives (objects, paper and digital records) from archaeological sites across Merseyside.

We continued to add to our collection for the International Slavery Museum with the acquisition of:

- a collection of thirteen prints, engravings, books, magazines and sheet music dating from the 1800s through to the 1950s was purchased; and
- a long term loan of a wrought iron slave collar, from America, dating from the nineteenth century was converted into a gift from The Manchester Museum.

For the Maritime History collection we were given two serving dishes, made by Stonier and Co. Ltd. as part of a table service to commemorate Isambard Kingdom Brunel's steamship, *Great Eastern*, c.1858.

Using funds from The Molly Tomlinson Bequests, we were able to purchase a stunning painting, *Dazzle Painted Ships in the Mersey, off the Liverpool Waterfront* by Leonard Campbell Taylor RA.

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

We were bequeathed ten items of textiles from the collection of Enid Russ, formerly Principal Lecturer of Woven Textiles at Liverpool Polytechnic. The bequest comprised items of clothing and textiles dating from the twentieth century from across the world.

We acquired c. 1300 specimens of British plants from ex-Keeper of Liverpool Museum, Eric Greenwood. We continued to add to our important growing collection of diatoms through fieldwork activities in Merseyside and Wales.

We received two substantial gifts of c. 2000 pinned British Hymenoptera, collected by Neil Robinson and approximately 7,500 specimens of Diptera collected by Roy Crossley since c.1960. We received a collection of reptiles in spirit and a number of excavated medieval bird bones from naturalist Paul Whitehead.

Staffordshire University gave their Palaeontology reference collection, comprising c. 1300 specimens.

The majority of inward loans to NML were for inclusion in the new displays at the Museum of Liverpool. Loans of particular note to the Museum are a three piece architectural 3-D model of Mendips (John Lennon's childhood home), the John Smith's Grand National Trophy, a mounted specimen of Lord Derby's Ocellated Turkey, and forty items from The Everton Collection Charitable Trust relating to the history of Everton FC.

We borrowed a number of items for inclusion in *Titanic & Liverpool: the untold story*, notably two dresses from Bath Fashion Museum, made by Lucile of London and an original copy of the *Proceedings on a Formal Investigation Ordered by the Board of Trade into the Loss of the S.S. Titanic*.

The loan of the Ismay family and business papers to Maritime Archives (DX/504) was renewed for a further 5 year period, allowing items to be displayed in *Titanic & Liverpool: the untold story*.

The artist Banksy lent a previously unseen sculpture to the Walker as his special 'Christmas present to the Gallery'. *Cardinal Sin*, a sandstone composite and jezmonite bust, is on display with the 16th and 17th century works in Room 3, and has attracted first-time visitors to the Walker following wide press coverage .

For the exhibition, *Art in Revolution*, at the Walker Art Gallery, we borrowed c. 75 European and British paintings, works on paper and sculpture drawn from public and private collections from Britain and overseas.

In February, two major paintings, both self portraits by Vincent Van Gogh and Paul Gauguin were lent to the Lady Lever Art Gallery by the Musée d'Orsay as part of a reciprocal loan arrangement.

The British Museum loaned us an Easter Island head, carved out of basalt lava for display in World Museum. Moai Hava stands at 1.56 metres high and weighs around 1.5 tonnes.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

Education

Our education and community teams produced a creative and engaging cultural education programme for early years children, primary and secondary schools, special education schools, the Youth Service, Further Education and Higher Education students, international students, adult learners and voluntary sector organisations, including diverse community groups.

896 primary schools and 486 secondary schools visited NML on 2,665 separate occasions during the year. In total, almost 131,000 children and young people took part in the NML formal education programme in the year, and more than 230,000 took part in our informal education programme.

We established a project, working with the University of Liverpool, to work with students from Enterprise South Liverpool Academy to explore the US Civil Rights movement. The project was showcased at the International Youth Conference held at the University of Liverpool in July.

Art work from young people across Merseyside went on display at the Museum of Liverpool in March 2012, exploring the effect of antisocial behaviour legislation on their lives and communities. 100 young people collaborated with groups in New York using photography to create portraits resembling 'Old Masters'.

The Museum of Liverpool education team worked in partnership with a team of adults with learning difficulties to develop exhibitions which have as many tactile components as possible. To enhance this, Braille labelling and tactile hand symbols, developed by this group, have been installed. The first touch tour has taken place and these will be programmed regularly for independent visitors.

Regular BSL interpreted tours have been introduced at the Walker Art Gallery and the Lady Lever Art Gallery. Our contacts with the Merseyside Deaf Centre have ensured attendance at the tours by members of the local deaf community.

A teachers' network has been established in the Wirral to support the development of the education programme at the Lady Lever Art Gallery and to consider how NML can continue to develop relationships with Wirral schools.

Team

Our Positive Action Traineeship scheme (for NVQ level 2 cultural heritage), funded by the Heritage Lottery Fund, was implemented with our regional partners. Eight NVQ assessors were trained and six trainees were recruited to the partner museums.

The education managers at the Merseyside Maritime Museum and the Lady Lever Art Gallery completed their Arts Award training during the year and are now approved assessors. NML is the only national museum providing this service to the cultural education sector.

We continued to offer a range of skills-based training to support and develop our staff and volunteers – including British Sign Language; Disability Equality Action; working with people with neurological conditions; human rights, culture and faith; collections management; and safeguarding children, young people and vulnerable adults.

Volunteering opportunities continued to be offered throughout the year - with 761 volunteers working across the organisation.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

Buildings

NML was placed joint first in the UK (out of 2,104 participants) in the performance league table produced in December 2011 by the Carbon Reduction Commitment Energy Efficiency Scheme (CRC).

Essential works to the wider estate have continued throughout the year to ensure compliance and the safety and security of staff, collections and the visiting public. These included essential infrastructure works, such as external fabric and stonework repairs at the Merseyside Maritime Museum, the Pilotage building and County Sessions House; and mechanical and electrical works at the Merseyside Maritime Museum and World Museum.

A feasibility study to investigate the refurbishment of the Wedgwood and Chinese rooms at the Lady Lever Art Gallery was completed.

Heating controls were upgraded at our main collections store to ensure closer control and improved energy efficiency.

Partnerships

Our partnerships were extended during the year through new collaboration with a range of partners including: the Department of Health, local NHS health partners, local social care providers, education authority providers, the regional cultural sector, the voluntary sector and other national museums. Highlights include:

- working with partners to secure Department of Health funding for our 'House of Memories' dementia care programme – a reminiscence training programme, designed to support people with dementia, their social carers and families;
- the continued development of our formal partnership with Liverpool Hope University to create projects and programmes based around our shared commitment to social justice;
- working with Liverpool City Council and the Titanic Participation Group to develop a Titanic schools programme. The programme supported our Titanic and Liverpool: the untold story exhibition;
- establishing a partnership with Mossley Hill Children's Centre to help raise the profile of Sudley House with local families;
- the delivery, for the second year, of the Old Dock Experience in partnership with Grosvenor. Almost 8,000 visitors participated in 550 tour dates;
- collaborating with Merseyside Partners in Policy MPIP to deliver training to support the new Mental Health Capacity Act;
- developing partnerships with the Wellcome Trust Tropical Centre and the Liverpool School of Tropical Medicine to deliver an international schools' twinning project involving schools from Liverpool and Malawi. The aim of the project was to raise awareness of global health issues and highlight the work of research teams investigating the disease of Malaria;
- delivering the second series of regional touring exhibitions as part of the North West Touring Exhibitions Group;

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

- working with the V&A and other museums and galleries around the UK to develop an art competition for adult non-professional artists;
- working with UNESCO, the Wilberforce Institute and Hull University to develop a Contemporary Slavery Teachers resource aimed at pupils studying at KS3;
- co-ordinating and hosting the second conference of the Federation of International Human Rights Museums (FIHRM) in October 2011, under the auspices of UNESCO and ICOM, and with funding support from the Paul Hamlyn Foundation;
- signing a Memorandum of Understanding with the National Taiwan University of Arts, School of Art, Culture, Policy and Management to establish a programme of student and staff exchanges;

Advocacy

We were delighted to win the following awards in the year:

- Museum and Heritage Awards 2011 (Classic Award): Merseyside Maritime Museum;
- The Mersey Partnership Awards 2011 (Best Tourism Experience): John Moores Painting Prize;
- CIPR Awards 2011 (Best Publication): NML Annual Review 2011;
- Sign and Digital Awards (Best Wide Format Print Project): 'Through the Wall' campaign;
- Liverpool Ambassador Awards (Chef of the Year): Ben Sheeran, Head Chef, NML Trading.

We had 3,544 media mentions in the year, more than doubling our Estimated Advertising Value (EAV) from the previous year.

The Maritime Dining Rooms at the Merseyside Maritime Museum was listed in the Michelin Guide 2012, the only UK museum restaurant to be included.

Several commercial and corporate publications were produced during the year including: *Museum of Liverpool: guide to your visit*, and a new Walker Art Gallery guide. We also published in the year *Changing Lives: Economic impact and social responsibility at National Museums Liverpool*.

Income, efficiencies and effectiveness

To manage the cuts to our funding we have continued to develop our Making Choices programme. We avoided compulsory redundancies in 2011-12 as a result of restructuring and job opportunities for the Museum of Liverpool. We were able to offer the majority of fixed term contracts either established positions or continued employment for 12 months.

Two new commercial trading outlets opened (the Museum of Liverpool shop and café), operated by NML Trading Ltd.

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

A new cleaning team has been introduced in the Museum of Liverpool and piloted a new way of working which provides a better balance of cleaning staff availability during public and non public opening hours; across a seven day working week. This is a very cost effective and efficient use of staff resources and once established will be introduced to other venues, to enable ongoing efficiencies.

A new external security provider took responsibility for out of hours security at World Museum, in September 2011. This completes the transfer of service programme across our venues and will deliver savings to NML.

We continued to develop our strategy to generate other income during the year including the following highlights:

- we secured significant funding support from the Department of Health for our 'House of Memories' dementia care programme. 'House of Memories' is a national museum reminiscence training programme, designed to support people living with dementia, their social carers and families;
- we secured major trust, foundation and private sector funding support (cash and pledges) for our capital developments;
- we received funding from the Liverpool PCT towards the development of a business case for *A Healthier Ewe* – a major science interactive exhibition;
- our new donations boxes (installed just before the start of the year) have seen donations increase by 124% on last year, and our highest ever recorded figure;
- We opened two new commercial trading outlets (Museum of Liverpool shop and café);
- NML Trading Ltd made £140,701 profit (to be covenanted back to NML), exceeding the original target for the year by more than £20,000.

Forward Plan

Our major priorities over the next year are:

- to mitigate the effects of funding cuts and deliver a balanced budget; and
- to do our best to continue to deliver an excellent and socially inclusive museum service.

The key drivers in our achieving these two objectives are the need to provide a basic level of care to our collections, and the need to ensure that the public has continued access to these collections through being able to use our museums. While during the course of the year we will see change and disruption to what we do and how we do it, these drivers will remain at the core of our efforts.

NML's Board of Trustees and Executive Team will strive to generate income from sources other than central government. We believe that NML is now a world model of best practice in terms of providing an energetic, high performance national museum service.

Financial Review

Overview

NML receives the majority of its revenue and capital funding from the DCMS, in the form of grant-in-aid. For the year NML received £21,875,000 (£23,712,000 2010-11).

As a result of Grant-in-Aid funding reductions NML embarked upon the Making Choices programme which reviewed activities to identify efficiency savings. This identified efficiency savings as a result of the outsourcing of some activities, the termination or reduction in scale of a number of our programmes, changes to some of our ways of working and a voluntary redundancy and voluntary exit programme. NML will continue to review its operations to ensure that it continually strives to deliver excellent value for money.

The consolidated revenue free funds are shown on page 20. The loss for the year was £1,094,000 resulting in a total revenue free fund balance of £2,012,000 as at 31 March 2012.

Net incoming resources, before transfers and gross indexation of tangible fixed assets, for the year were £1,043,000. An indexation of land and buildings as at 31 March 2012 produced a revaluation loss of £31,074,000. A revaluation of investments produced a surplus of £27,000 and gains on sales of investments produced a surplus of £3,000; resulting in a total decrease in funds of £30,001,000.

A transfer from General Fund to General Capital Fund of £1,555,472 was made to cover general capital expenditure and a transfer of £284,714 from the Revenue Development Fund to Development Fund Capital accounts was made to fund the associated eligible expenditure.

Reserves Policy

The consolidated free income reserve available at 31 March 2012 was £2,012,000. This is inclusive of designated funds of £259,000 and the general fund £1,753,000. The General fund includes £225,000 which is the fixed asset representation of the subsidiary trading company. The resulting free income reserve representation is £1,528,000.

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves appropriate to the scale, complexity, and risk profile of NML. Historically, Trustees have been committed to holding free fund reserves of between one and three months equivalent Grant-in-Aid. The level of reserves has previously taken into account the fact that grant in aid provides a significant proportion of NML's incoming resources which has historically been reasonably certain as a result of spending review funding agreements being set over a three year period.

The current spending review covers a period of four years from 2011-12 to 2014-15 and shows a reduction in resource Grant-in-Aid of 15% in real terms over the four year period. The DCMS have also notified NML that further reductions in years three and four (2013-14 and 2014-15) of the spending review period could be imposed and contingency plans should be in place. As a result grant in aid funding no longer carries the level of certainty that could be relied upon in the past.

Over the course of the latest spending review the level of free reserves is set to provide what is considered to be a reasonable contingency for a shortfall in income from NML's funding and any cash flow risks (whether due to timing or other factors) on capital projects, the collections development programme or other unforeseen liabilities. However ongoing financial planning is essential to identify any potential issues at the earliest opportunity.

National Museums & Galleries on Merseyside

Annual Report for the year ended 31 March 2012

The Trustees remain committed to holding free fund reserves of between one and three months (£1.7m - £5m) equivalent grant-in-aid, to protect NML against falls in income streams or unpredicted liabilities. This is challenging given the financial environment however the Trustees consider this to be a reasonable policy to underpin NML's financial stability.

Whilst Grant-in-Aid represents a significant proportion of NML's income (67% in 2011-12) and is therefore less volatile than self-generated income, the Trustees remain concerned about the levels of reserves, particularly given that further reductions to Grant-in-Aid could be imposed during the coming financial years.

In accordance with the revised funding agreement with the DCMS covering the period 2011-12 to 2014-15, NML has secured access to its general reserves up to a maximum of £2.8m during the current four year funding agreement, with £1.9m available for the 2011-12 financial year. NML has utilised £1.1m of its general reserve during the 2011-12 financial year.

The Trustees have determined that the current level of reserves should be adequate in respect of 2012-13 although this should continue to be reviewed during the year so that any issues are identified at the earliest opportunity. NML's ability to generate any increase in the general reserve will continue to be an area of focus with the aim of increasing the general reserve closer to the target of three months equivalent grant-in-aid, to provide contingency for any further reductions in Grant-in-Aid.

Capital Programme

The new Museum of Liverpool has already become established as one of the world's leading city history museums, setting the global benchmark for museums of its kind and raising social history as a museum discipline to an international scale. The Museum demonstrates Liverpool's unique contribution to the world and showcases popular culture while tackling social, historical and contemporary issues.

The Museum provides a showcase for more than 6,000 of NML's outstanding collection items, previously held in storage and inaccessible to public view.

The Museum has strong environmental credentials being powered by its own CHP energy plant using renewable sources from which it is possible to export excess electricity to the National Grid. The legal framework for this is currently being explored with NML working together with the Office of Government Commerce (OGC).

The new Museum of Liverpool opened to the public during the year in 2 phases. The People's Opening on 19 July 2011 heralded the opening of the main second floor galleries Wondrous Place and The People's Republic, and, on the ground floor, the Global City gallery and Little Liverpool children's gallery. The Royal Opening of Phase 2 galleries by HM The Queen on 1 December marked the completion of the exhibition spaces and the opening of The Great Port, History Detectives, City Soldiers and the Liverpool Overhead railway galleries along with community and education activity suites.

The museum building and fit out have been funded from a range of sources including; NWDA, ERDF, HLF, DCMS and other significant donors.

During the first eight months of opening (during six of which the building was only partially open to the public) the Museum of Liverpool has welcomed more than 900,000 visits against an annual target of 750,000 for a fully operational year.

A legal case for rectification of design errors on the external steps and terraces to the building is currently being pursued.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

The financial year also saw a number of other smaller projects including critical repairs and refurbishments.

In compliance with the Charities SORP 2005 NML commissioned Drivers Jonas Deloitte to carry out a full "red book" valuation of its land and buildings as at 31 March 2012. An index was applied to buildings and a desktop valuation to land by Drivers Jonas Deloitte, in the intervening years since the last full valuation in 2007.

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

Historically NML has held an unapplied receipt from the disposal of a property within its capital reserve account. £215,393 in respect of 63/65 Blundell Street, Liverpool, continues to be held unapplied. Application consents were received from DCMS In March 2002.

Fundraising

We continued to attract support from a wide variety of sources including trusts, foundations, the public and private sector and individuals. Major grant payments or funding pledges were received from the:

- Molly Tomlinson Bequests towards World Museum;
- Department of Health towards the House of Memories outreach project; and
- Lord Leverhulme Charitable Trust towards the Lady Lever Art Gallery.

We continued to attract generous support from local businesses and extended our relationship with the business community. Eight organisations were members of NML's corporate members scheme during 2011-12 including: Hill Dickinson LLP, David M Robinson Ltd, R S Clare & Co Ltd, Mersey Docks & Harbour Company – Peel Ports, Limehouse Heritage, Barclays Wealth, DWF and Pierhead Housing.

During the year we increased membership of our Membership Scheme from 900 members to more than 3,000 members in 2011-12. This increase was largely as a result of our *Age of the Dinosaur* exhibition.

NML would like to thank all donors, sponsors and grantors who have contributed throughout 2011-12.

Development Trust

The fundraising activities of NML were supported by the Development Trust, members include:

- Professor Phil Redmond CBE (Chairman)
- John Bodie OBE (Vice Chairman)
- Jo Bowen-Jones
- Barry Flynn
- Rt Hon Baroness Gloria Hooper CMG
- Norman Kurland
- Mark McNamee
- Julian Rathbone

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

Trading Subsidiary

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

NMLT is consolidated within the Statement of Financial Activities and Balance Sheet of NML, adjusted for group transactions. A summary of the results and net assets of NMLT is shown at note 9.

In 2011-12 NMLT had a successful year, making a profit of £140,701 and made a Gift Aid contribution to its parent NML, of £140,701.

UK Border Agency National Museum

In addition to the Grant-in-Aid received from the DCMS, NML also receives Grant-in-Aid support from UK Border Agency (UKBA). This arrangement is specifically related to the conservation, study and display of the national collection of HMRC and UKBA. A summary of the UK Border Agency transactions is shown at note 16.

There were nil capital grants due or received during the year in respect of the “Seized! Revenue and Customs Uncovered”.

With effect from 1 April 2010 the UK Border Agency took on responsibility for the financial responsibilities and ownership of the existing collections within the museum.

The formal name of the museum is “UK Border Agency National Museum” and the visitor name “Seized! Revenue and Customs Uncovered”

Connected Charities

Nine charitable trusts, whose legal existence pre-dates that of NMGM, are connected to NML’s activities via a commonality of trusteeship and a close association of charitable purpose. The accounts of the trusts are not consolidated with that of NML.

Speke Hall

An agreement entered into by Ministers in 1986 required NML to make annual Grant-in-Aid payments to the National Trust towards the upkeep of Speke Hall until 2015. The level of this grant was agreed annually between NML and the National Trust. In 2010 a new agreement between NML and The National Trust stated that NML shall continue to make annual payments of £140,000 per annum to the financial year commencing 1 April 2015. The grant is no longer subject to any inflators. The full grant £140,000 was paid during the year and is associated with the revenue activities of Speke Hall and is not capital in nature.

Gower Street Estates

NML is a member of Gower Street Estates Limited (GSEL) a company formed to manage those areas within the Albert Dock formerly managed by the Merseyside Development Corporation which ceased to exist as a body on 31 March 1998. The company is limited by guarantee and is non-profit making. The activities of the company are covered by a service charge levied on members which is calculated after taking into consideration any earned income. The service charge applicable to NML for 2011-12 is referred to in note 17.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

Prompt Payment of Creditors

NML is aware of the importance of paying suppliers promptly and takes every step to ensure that payments to creditors are made as quickly as possible. In 2011-12, 91% (2010-2011 – 93%) of NML's creditors were paid within 30 days of receipt of the invoice.

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

Principal risks and uncertainties

In 2011-12, £21.9m (67%) of NML's income derived from Grant-in-Aid from the DCMS. In addition revenue Grant-in-Aid of £304k was received from UK Border Agency. The remaining operating expenditure was financed from self-generated income which tends to be more volatile in nature compared to Grant-in-Aid. NML is therefore exposed to some liquidity risk.

Any new ongoing capital programme is dependant upon the successful generation of grants and donations; and the receipt of these funds.

A well managed planned maintenance programme is essential to maintain the quality of NML's buildings and ensure that they do not fall into a state of disrepair and place public safety and the collections at risk.

The Making Choices programme identified a number of efficiency savings. NML needs to continue with this programme to ensure that it continues to deliver value for money.

The FRS disclosure on derivatives and other financial instruments is contained in note 8.

Donations made

There were no charitable donations, or political donations paid during the financial year 2011-2012.

Investments

Investments listed on a recognised stock exchange are re-valued at year-end mid-market price, excluding any applicable accrued interest.

The investment manager provides half yearly reports which include a statement confirming adherence to the investment policy statement or details of exceptions. The report also include a comparison of the portfolio return in relation to the benchmark.

Investment income

The reported minor increase in investment income represents the movement in cash balances held rather than movements in the interest rate. The average for the year was approximately 0.6%.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

The statement below is to inform the reader of the results of the Free Income revenue funds for the year. This distinguishes the table from the SOFA which includes capital funds in addition to revenue.

Consolidated Free Funds income & expenditure 2011-2012	2012	2011
	£000	£000
Incoming resources		
Grant-in-Aid DCMS	20,526	21,112
Incoming resources from generated funds:		
Other grants and donations	195	51
Merchandising income of subsidiary company	2,972	2,054
Investment income	16	26
Incoming resources from charitable activities	1,491	594
Total incoming resources	<u>25,200</u>	<u>23,837</u>
Resources expended		
Costs of activities in furtherance of the objects of the charity:		
Fundraising costs	383	425
Costs of subsidiary company merchandising	2,718	2,046
Charitable activities;		
Operating expenditure (excluding depreciation)	20,846	18,701
Grants to third parties	140	140
Fees & charges activities of charity staff	418	422
Governance costs	250	250
Total resources expended	<u>24,755</u>	<u>21,984</u>
Surplus on free income funds before transfers between funds	445	1,853
Transfers to designated funds	<u>(1,539)</u>	<u>(1,482)</u>
(Deficit)/surplus on free income funds for the year	<u>(1,094)</u>	371
Balance brought forward at 1 April	<u>3,106</u>	<u>2,735</u>
Balance carried forward at 31 March	<u>2,012</u>	<u>3,106</u>
The balance on free income funds comprised:	2012	2011
	£000	£000
UKBA admissions	93	83
Academic publications	96	58
Miscellaneous	70	70
General funds	<u>1,753</u>	<u>2,895</u>
Balance at 31 March	<u>2,012</u>	<u>3,106</u>

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd £225k are contained within the General funds balance. The full NMLT representation within the fund is £373k.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

Other Capital Projects

This financial year also saw a number of other smaller projects including critical repairs and refurbishments.

The respective galleries and venues all opened within a short space of time after practical completion, where practical completion had been reached.

Audit

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2011-12. The audit fee in respect of this work was £47,500. BWMacfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £7,524. Non-audit services were not provided by either of these auditors.

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

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

Sustainability Report

Note: From 2011-12, all Government bodies that fall within the scope of Greening Government Commitments and which produce Annual Reports and Accounts in accordance with HM Treasury's Government Financial Reporting Manual (FReM) are required to produce a sustainability report. This is the first report compiled under the new guidance.

Summary of performance and future strategy

NML is committed to sustainability and sustainable development, and we have been working hard over the past 12 years to understand, manage and reduce energy consumption across our estate, and in doing so, reduce the carbon impact on society. Our actions have culminated in NML being placed joint first in the Carbon Reduction National League Tables 2010-11.

Sustainability is included with NML's vision and values and is an integral part of our strategic objectives. We produced an Energy and Environmental Policy 12 years ago, which led to us implementing energy saving environmental measures, resulting in accreditation from the National Energy Foundation as an energy efficient organisation in 2002. This early policy has since developed into our Sustainability Policy, which may be found on our website:

www.liverpoolmuseums.org.uk/sustainability/

We realised at a very early stage that improvements could only be assessed if a baseline of information was gathered and from that information, targets could be set. We have made a major investment in installing ½ hourly monitoring throughout our buildings. This system provides the information to map trends of electricity, gas and water usage, both for buildings as a whole and in the case of the larger venues, by area, through sub-metering. These actions assisted NML in gaining re-accreditation from the Energy Foundation in 2005, 2008 and Carbon Trust Accreditation in 2010 and 2012.

The Museum of Liverpool, which opened in July 2011, has been designed as a 21st century building, and has received acclaim for its green initiatives. The museum is powered using state-of-the-art renewable and energy efficient technologies. Its combined heat and power (CHP) system when fully operational will reduce carbon emissions by 884 tonnes each year - equivalent to the environmental benefit of 88,400 trees. The building also benefits from a rain water harvesting system which supplies 'grey' water to the museums toilets. Prior to opening in July 2011 the building achieved a BREEAM rating of Very Good, and an A rated energy performance certificate. The Museum won the Museums & Heritage Award 2012 for Sustainability.

To develop staff involvement and commitment to sustainability, NML has established a Green Forum – which includes staff from each building representing all levels of management, including representation from an Executive Director. The Green Forum has created NML's Sustainability Policy (which has superseded our previous Energy and Environmental Policy), approved by the Executive Team, and an Action Plan. The group meets on a regular basis to discuss and develop the organisation's green credentials.

From 2011, we have set new targets based on the Government's Sustainable Development in Government guidance and although challenging, the organisation believes it is well placed to drive towards meeting these in the coming years.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

NML is represented at the Museums Environmental Conditions, Projects and Savings Group which met three times in 2011-12.

NML is a member of the International Association of Museums Facility Administrators (IAMFA).

Area		2011-12 Performance Actual
Greenhouse Gas emissions		10,100 t CO ²
Estate energy	Electricity consumption	11,949,047 kWh
	Expenditure	£948,540
	Gas consumption	19,804,230 kWh
	Expenditure	£544,872
Estate Waste	Amount	217.7 tonnes
	Expenditure	£33,588
Estate Water	Consumption	36,792 cubic m
	Expenditure	£56,190

Note: The statistical information in the table above relating to gas emissions, gas and electrical consumption are from NML's Annual CRC report. This was independently verified by TEAM under CRC Registration No. CRC6582231

Greenhouse gas emissions

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a new regulatory incentive to improve energy efficiency in large public and private organisations. This mandatory scheme aims not only to improve energy efficiency but also to reduce the amount of carbon dioxide (CO²) emitted in the UK. Every organisation whose annual half hourly metered electricity was above 6,000 MWh in 2009-10 was obliged to participate, NML's energy and facilities team submitted energy data reports and evidence of accredited energy management systems in the summer of 2011.

A Performance League Table including 2,104 participants was released in December 2011, placing NML joint first with an emissions level of 9,207t CO² (Absolute Metric Adjustment). This high standard was achieved through the initiatives taken over time in order to improve how energy use is measured and more particularly managed.

Waste minimisation and management

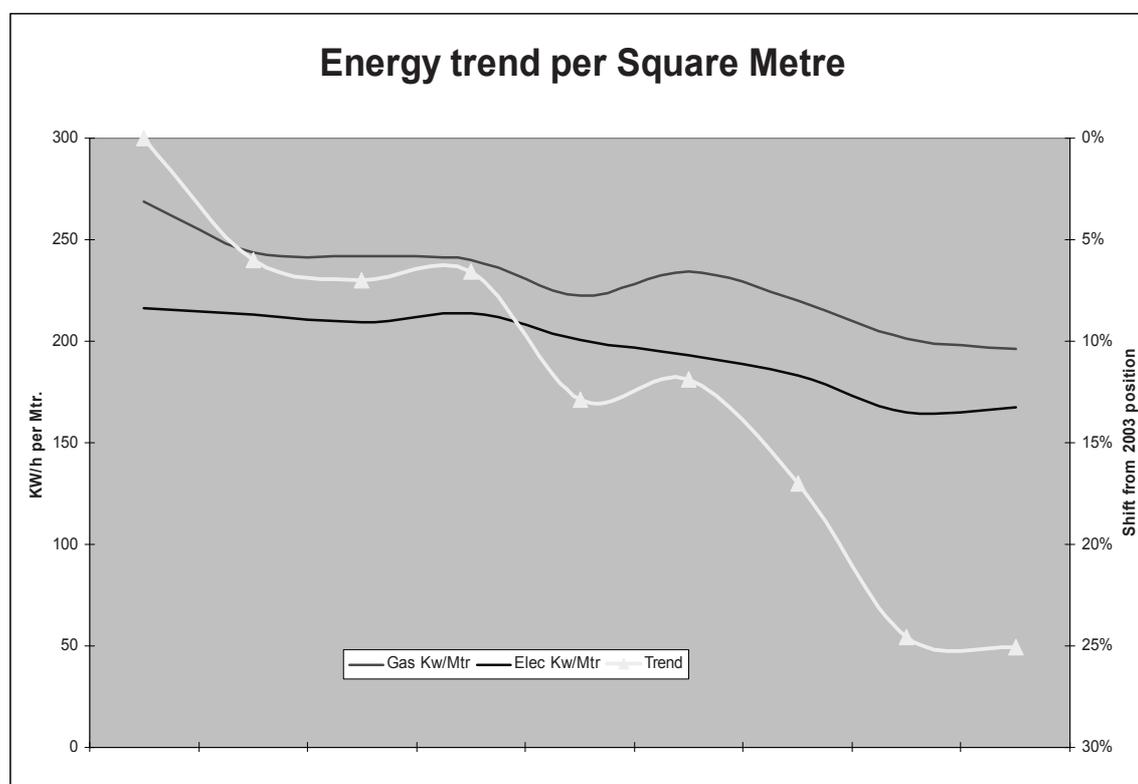
NML is committed to minimising waste to landfill and to this end work closely with Bagnal & Morris, the waste service provider, to ensure that as much waste as possible is diverted from landfill and recycled. NML actively segregates waste at a venue based level into general waste and recyclable waste. Once waste is removed from our buildings, the waste service provider further segregates the waste in order to divert as much of it as possible from land fill. Bagnal & Morris provide quarterly environmental reports.

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2012

Resource consumption

Through initiatives over recent years, NML has exceeded the targets originally set in 2002 to reduce energy consumption per m² by 12.5% below 2001/2 levels by 2010.

In dealing with areas of significant consumption, a number of issues were targeted. The electrical infrastructure of the estate, given the age, nature and use of the different venues had been altered and added to over the last 40-50 years, leading to (in places) inefficient electrical performance. This has led to two specific schemes: the introduction of power factor correction equipment, to reduce the adverse effect of motors and fluorescent lights on the system and more recently the introduction of a Voltage Optimisation system at World Museum, where energy consumption is highest. An energy stabilising and reducing system was installed, which delivers a fixed 222 volts, reducing energy and maintenance to machinery. The system is delivering an average of 7% reduction in electrical consumption at the venue. NML funded the scheme through a Government Energy Savings Loan, which is repaid from the energy savings over four years.



Climate change adaptation and mitigation

NML is committed to reducing energy usage and waste to help play our part in climate change mitigation. We encourage the use of public transport for visitors and staff, as well as cycling with secure racks at all museums. In addition, we have showers, lockers and bike loan schemes for staff.

In exceeding the targets set in 2002 for the reduction of energy consumption, NML has over the last 10 years reduced its carbon emissions per m² by more than 20%.

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

Biodiversity and Natural Environment

NML has an important role to play in the conservation and protection of the natural environment. By adopting policies on the sustainable procurement of goods and services, NML can reduce its impact on the natural world.

It is important that visitors understand the role we play in supporting the protection of the natural world. Through our education programmes and the Clore Natural History Centre at World Museum in particular, staff take the opportunity to talk to visitors about issues such as climate change and the importance of natural resources. We have been able to reinforce these messages through our special exhibition programme at World Museum with displays, trails and activities focusing on the theme of biodiversity.

The recently constructed Museum of Liverpool was subject to a rigorous Environmental Impact Assessment as part of its planning approval.

Sustainable procurement and construction

NML aims to procure and manage its assets in the most effective way possible, for the procurement of utilities NML uses the government procurement "Buying Solutions" services.

We have produced a sustainable procurement plan which aims to ensure that sustainability is considered and viewed as an integral part of the procurement process. Procurement of materials is sourced from local wholesalers, with all timber products being Forest Stewardship Council certified, paints being low in Volatile Organic Compounds, electrical goods including lamps, being of the lower energy category, and DEFRA approved EU eco-labelled cleaning products. Our main maintenance contractor, procured through an OJEU open tender procedure, is accredited with ISO 14001 and BS 9000. The plan also encourages staff to buy and use recycled materials, to cut down on the amount of packaging, where possible to ensure that materials can be re-used and that exhibits are designed to be low maintenance or maintenance free.

In 2012, following a tender and selection process, we introduced a new online system for the purchase of office stationery, with a single company that has strong green credentials, to make the process more efficient, to help us set targets for reducing the amount of paper we use, and to minimise waste.

Over the last 18 months, NML has started introducing multi-functional copier/printer devices. This has enabled us to reduce the number of printers per member of staff significantly, and has reduced paper usage whilst improving information security. The default printing option is double-sided and monochrome, again to reduce usage of paper and other resources. Physical prints are not generated until staff confirm the request at the printer, helping to reduce unnecessary prints. As existing photocopiers come out of contract, we will continue to migrate to the preferred multi-functional devices. We have also chosen a supplier of printer cartridges that guarantee own brand 100% recycled cartridges and recycling services to reduce the impact of our non multi-functional devices.

As mentioned in the summary of performance, above, the Museum of Liverpool, which opened in July 2011, is powered using state-of-the-art renewable and energy efficient technologies. Its combined heat and power (CHP) system when fully operational will reduce carbon emissions by 884 tonnes each year - equivalent to the environmental benefit of 88,400 trees. The building also benefits from a rain water

National Museums & Galleries on Merseyside

Annual Report for the year ended 31 March 2012

harvesting system which supplies 'grey' water to the museums toilets. Prior to opening in July 2011, the building achieved a BREEAM rating of Very Good, and an A rated energy performance certificate. The Museum won the Museums & Heritage Award 2012 for Sustainability.

People

NML, as the only national museum in England based wholly outside London, plays a very significant role in Liverpool and the North West – as a visitor attraction and as an employer.

A study carried out by England's Northwest Research Service in 2011 found that NML was worth more than £100m to the economy of the Liverpool City Region. This includes visitor spend, staff direct and indirect spend, and the use of local suppliers. For further details, see <http://www.liverpoolmuseums.org.uk/about/corporate/reports/>

Environmental Management System (EMS)

NML does not have an EMS such as BS 14001. However, NML does have a Sustainable Policy approved by the Executive Team which has been integral to the recent Carbon Trust Standard re-accreditation.

Governance

NML has 100% remote monitoring of energy consumption with half hourly data fed back to a TEAM Sigma energy management system. All half-hour data (gas, electricity and water) is imported into the intelligent system, collating and analysing information from all sources and sites into one reporting location.

Information has been independently verified through the Carbon Trust Standard application and CRC submission.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

Remuneration Report

The membership of the Remuneration Committee for the year ending 31 March 2012 comprised:

- Chairman of Remuneration Committee – Bryan Gray Audit Committee, Chair (term expired 28 January 2012) replaced by Audit Committee, Chair Deborah Shackleton CBE;
- Board of Trustees, Chairman – Prof Phil Redmond CBE
- Finance Committee, Chair – Alexis Redmond MBE (term expired 7 September 2011) replaced by Carmel Booth

The role of the Remuneration Committee is to:

- determine the pay and conditions of the Director including annual performance awards and pay progression;
- provide, through a panel selected by the chairmen; an appellant recourse in disciplinary and grievance cases concerning senior staff for whom the Director is the reporting officer;
- keep governance arrangements, including the Committee structure and schemes of delegation, under review;
- act as a Nominations Committee for the appointment of trustees;
- provide information about service contracts and compensation payable on early severance to senior staff; and
- improve accountability and transparency about NML's general remuneration policy.

All staff other than the Director are recruited to pay-bands graded for seniority and approved by the Trustees within the context of the pay remits negotiated with DCMS /Treasury. NML's recent three year pay remit, approved by HM Treasury was effective from 1 October 2008 and expired on 30 September 2011. The remuneration of senior managers for future years, with the exception of the Director, is determined by the agreed pay remit.

There are nine pay-bands and all staff apart from the Director are covered by these. Recruitments to Pay-band 8 and above are approved by the Trustees.

The Director's contract was made permanent on 11 July 2006.

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

The performance of the Director is assessed annually by the Trustees and a rate of bonus for the review year is determined. The reporting period for this performance review is 1 April to 31 March. In line with NML's pay year, any payments are effective from 1 October 2011.

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

- personal contribution towards NML's corporate aims;
- quantifiable targets; and
- qualitative targets.

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

The Director's performance review has taken place for the financial year. The Chairman's recommendations on the Director's performance for 2011-12 were submitted to the meeting of the Remuneration Committee on 3 July 2012.

The Director was awarded a non-consolidated bonus of £15,735. The Director made a donation to NML equivalent to the net bonus he received in 2010-11.

There will be a pay freeze for all museum staff for the remainder of the CSR period, except for staff earning less than £21k who received a £250 pay award on 1 October 2011.

The average number of days lost (per employee) due to sickness during the year was 8.16 days, or 3.42 days excluding long term sick in 2011-12, (9.6 days, or 4.4 days excluding long term sick 2010-11);

The staff cost for all employees is contained within note 5.

There are six Directorships within NML, these are:

- Director and Accounting Officer;
- Executive Director of Development & Communications;
- Executive Director of Finance;
- Executive Director of the Museum of Liverpool Project;
- Executive Director of Education, Communities and Visitor Services; and
- Director of Human Resources.

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

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

- Executive Team;
- Senior Management Team; and
- Managers' Communication Forum.

The Executive Team consists of six Directors plus the Secretary to the Board of Trustees. The Secretary to the Board does not have any decision making powers. The annual appraisals of the Executive Team are countersigned by the Trustees.

During the period 1 November 2011 to 29 February 2012 the position of Executive Director of Finance was vacant.

The Senior Management Team consists of the Executive Team plus a number of Venue and Operational Heads.

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

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

**National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012**

Policy on Duration of contracts, notice periods, and termination periods

Senior staff are permanent employees of National Museums Liverpool.

The notice periods for staff who wish to resign are:

- Up to Pay-band 7 - 4 weeks minimum;
- Pay-band 7 and above - 3 months minimum.

Termination payments are in accordance with the Museum's contractual terms.

There were no severance or compensation payments to senior managers or former senior managers in year.

The salary, pension entitlements and the value of any taxable benefits in kind of the Directors of National Museums Liverpool (which has been subject to audit) are detailed overleaf:

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

	Salary Including performance pay 2011-12	Salary Including performance pay 2010-11	Accrued pension at age 60 as at 31/03/12 and related lump sum	Real increase in pension And related lump sum at age 60 at pension	CETV at 31/03/12	CETV ¹ at 31/03/11	Real increase in CETV
	£'000	£'000	£'000	Age	£'000	£'000	£'000
D Fleming Director	105-110 plus non consolidated bonus 15-20	105-110 plus non consolidated bonus 15-20	35-40 Plus lump sum of 115-120	0-2.5 Plus lump sum of 0-2.5	877	806	2
S Granville Executive Director of Museum of Liverpool	70-75	70-75	20-25 Plus lump sum of 65-70	0-2.5 Plus lump sum of 0-2.5	397	367	0
A de Joia Executive Director of Development & Communications	70-75	70-75	15-20 Plus lump sum of 55-60	0-2.5 Plus lump sum of 0-2.5	337	309	1
Carol Rogers Executive Director of Education, Communities & Visitors	65-70	65-70	5-10	0-2.5	136	116	8
Maxine Carden Director of Human Resources	50-55	50-55	15-20 Plus lump sum of 55-60	0-2.5 Plus lump sum of 0-2.5	300	277	-1
Tony Allen Executive Director of Finance – left 31 October 2011	² 55-60 ³ (60-65)	60-65	0-5	0-2.5	45	33	10
Ann Monk Executive Director of Finance – wef 1 March 2012	5-10 ³ (60-65)	0-5	0-5	0-2.5	1	nil	1

- ¹The CETV figure may be different from the closing figure in last year's account. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
- ²Includes £16,873 in respect of an agreed compensation package.
- ³Represents annualised salary.
- There were no benefits in kind received by the Executive Team members.

Salary

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

Pension

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. From 30 July 2007 staff may be in one of four statutory based schemes, three "final salary" defined benefit schemes (classic, premium and classic plus) and one occupational defined benefit scheme (nuvos). The schemes are un-funded with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase Legislation. New entrants after 30 July 2007 may choose between membership of nuvos or joining a good quality "money purchase" stakeholder arrangement with a significant employer

National Museums & Galleries on Merseyside **Annual Report for the year ended 31 March 2012**

contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum of 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. Nuvos benefits accrue at 2.3% of pensionable earnings each year, like premium, there is no automatic lump sum but members may commute some of their pension to provide this. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service Pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/pensions/index.aspx>

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Employees received no benefits in kind during the year.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

The following information and table has been subject to audit:

	<u>2011-12</u>
<i>Mid-point of Band of Highest Paid Director's Total Remuneration</i>	<i>£127,500</i>
<i>Median Total Remuneration</i>	<i>£17,881</i>
<i>Remuneration Ratio</i>	<i>7.13</i>

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

The mid-point of the band of remuneration of the highest-paid director in the National Museums Liverpool in the financial year 2011–12 was £127,500. This was 7.13 times the median remuneration of the workforce, which was £17,881.

In 2011–12, nil employees received remuneration in excess of the highest-paid director. Remuneration ranged from £0 to £127,500.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind (of which there are none) as well as severance payments (of which none were made to staff who were employed at the reporting period end date). It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Prior year data has not been provided as the effort required to provide the data was deemed to be disproportionate to the value which would be added to the analysis.

There is no real change from the current to the previous financial year apart from staff earning less than £21,000 per annum who were the only staff to receive consolidated pay increases under the terms of the Government's Public Sector Pay freeze. There continues to be a pay freeze for all museum staff for the remainder of the CSR period.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012

1	Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band	
		2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
2	< £10,000	nil	nil	13	nil	13	nil
3	£10,000-£25,000	nil	nil	10	nil	10	nil
4	£25,000-£50,000	nil	nil	9	nil	9	nil
5	£50,000-£100,000	nil	nil	2	nil	2	nil
6	Total number of exit packages	nil	nil	34	nil	34	nil
7	Total resource cost / £000s	nil	nil	652	nil	652	nil

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

Dr David Fleming OBE
Director and Accounting Officer
Date: 13 November 2012

**National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2012**

FUNDING AGREEMENT PERFORMANCE INDICATORS – 2012 OUTTURN

Performance Indicator	2010-11 Out-turn	2011-12 Out-turn
Core Targets		
KPI (1) Total number of visits	2,635,993	3,184,995
KPI (2) Charitable giving (fundraising) revenue	1,675,000	1,069,000
OPI (1) Number of unique website visits*	3,176,266	2,060,889
OPI (2) Number of visits by children under 16	500,839	624,259
OPI (3) Number of overseas visits	342,679	394,939
OPI (4) Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	131,782	130,764
OPI (5) Number of instances of visitors under 18 participating in on-site organised activities	188,811	235,719
OPI (6) Percentage (%) of visitors who would recommend a visit	97%	98%
OPI (7) Admissions income (gross income)	-	289,000
OPI (8) Trading income (net income)	624,621	615,924
OPI (9) Number of UK loans	193	228

Explanatory Note:

KPI represents Key Performance Indicators
OPI represents Other Performance Indicators

* From 2011-12 the number of website visits has been calculated using Google Analytics.

In 2010-11 there were only five Key Performance Indicators stated. This year NML has stated both key and other indicators.

No targets were set with the DCMS for 2011-2012.

Dr David Fleming OBE
Director and Accounting Officer
Date: 13 November 2012

Professor Phil Redmond CBE
Chairman of Trustees
Date: 13 November 2012

National Museums & Galleries on Merseyside
Statement of Trustees' and Director's responsibilities
For the year ended 31 March 2012

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

In preparing the accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of State¹, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the account on the going concern basis, unless it is inappropriate to presume that NML will continue in operation.

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

Dr David Fleming OBE
Director and Accounting Officer
Date: 13 November 2012

Professor Phil Redmond CBE
Chairman of Trustees
Date: 13 November 2012

¹ a copy of which is available from: The Director's Office, World Museum Liverpool, William Brown Street, Liverpool, L3 8EN.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

Governance Framework

NML's Governance Framework consists of a Board of Trustees and a number of sub-committees that report to the Board.

NML is governed by a Board of Trustees to which the Accounting Officer and the Executive Team report. The Director is appointed by the Minister for Culture, Communications and Creative Industries, and, with the approval of the Permanent Secretary of DCMS, is also the Accounting Officer. The Board has ultimate responsibility for directing the affairs of NML and ensuring that it is solvent, well-run, and delivering the charitable outcomes, for the benefit of the public, as set out in The Merseyside Museums and Galleries Order 1986.

The Board has delegated the day to day running of NML to the Director.

Accountability

NML is an NDPB primarily funded by Grant-in-Aid. NML is responsible for ensuring that its business is conducted in a proper manner, in accordance with the law and within the context of the requirements of its sponsoring Department, the DCMS. Through the DCMS, the Accounting Officer is accountable to Ministers and to Parliament. The Accounting Officer must ensure that public money is safeguarded and properly accounted for and, in doing so, the Accounting Officer aims to secure continuous improvement in the way in which NML's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Comptroller & Auditor General (C&AG), is the statutory auditor of NML and has full rights of inspection to NML's records. The Accounting Officer of NML can be called upon to give evidence to the Public Accounts Committee and may also be called to give evidence before any of Parliament's Select Committees.

Framework documents issued by DCMS lay out the regulatory and accounting framework along with details of the delegations of responsibility and the accountabilities of NML.

The Merseyside Museums and Galleries Order 1986 sets out the statutory framework for what NML does and also lays out the general functions of the Board.

During the year a key focus of NML has been the opening of the Museum of Liverpool, which is the biggest national museum to be newly-built and opened in the past 100 years. The project has already been a major success attracting more than 900,000 visitors in its first eight months of opening. As with any capital construction project of this size and nature there have been a number of challenges throughout the project which have required the focus of management and a considerable amount of expert advice and support.

The Board of Trustees

The Trustees have corporate responsibility for ensuring that NML complies with all statutory and administrative requirements for the use of public funds. Other important responsibilities of Trustees include:

- ensuring that high standards of corporate governance are observed at all times;
- establishing the overall strategic direction of NML within the policy and resources framework agreed with the Secretary of State for Culture, Media and Sport;

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, the Board has taken into account any guidance issued by DCMS and Treasury; and
- ensuring that the Board operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper "This Common Inheritance" (Cm 1200) and other relevant guidance.

Board vacancies are advertised nationally and members are appointed by the Prime Minister on the recommendation of the Minister for Culture, Communications and Creative Industries, in accordance with the code of practice issued by the Commissioner for Public Appointments.

The Board met five times during the year and received reports covering the following: management overview summary of key activities and highlights in line with strategic objectives, minutes of activity and reports from Audit, Finance, Remuneration and Museum of Liverpool sub committees, items accessioned, loans agreed, performance metrics, health and safety and updates to policies. The Chairman of Trustees is consulted on major strategic issues, or where it is foreseeable that a decision or action could damage the reputation of NML.

During the year the Board gave particular consideration to discussing: the issues associated with the construction of the new Museum of Liverpool; the financial controls framework; the need to ensure that the DCMS and HM Treasury are consulted on all issues of a novel and contentious nature; the impact of necessary expenditure cuts due to the reduction of Grant in Aid upon the operating environment within NML; and the continued delivery of a quality service to visitors.

A number of matters reserved to the Board of Trustees are delegated to the following Committees for consideration and decision or for consideration and recommendations made to the Board for approval:

The Finance Committee met four times during the year to review, the four year financial plan and specific risks to its achievement, major capital projects, accounting policy, and the Annual Report and Accounts.

The Audit Committee met four times during the year to review the control environment. This consisted of a review of: the risks of the organisation, the work of internal and external audit, progress against actions identified from internal and external audit recommendations, and the Annual Report and Accounts.

The Remuneration Committee met once during the year to review the performance of the Director (and to consider any performance-related pay) and other members of the Executive Team.

The Museum of Liverpool Project Committee met four times during the year to consider the issues around the construction of the new Museum of Liverpool, the legal issues arising out of the performance of the design and construction teams, and the reporting of financial and other issues relating to the above.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

The Chairman of the Board is an ex-officio member of all Committees. The Committees consist of Board members, and in some cases Associate Trustees, to ensure that the appropriate skills are in place.

Board and Committee Attendance

Attendance records for the Board and Committees are set out below:

Name	Board (5)	Audit (4)	Finance (5)	MoL Project Monitoring (4)	Remuneration (1)
<u>Trustees</u>					
P Redmond	5		5	4	1
J Ashton	5				
C Booth	5	2	4	3	1
L Carstensen	2 of 2				
R Crawford	4		4		
B Gray (retired Jan 2012)	3 of 4	1 of 1			1
N Katona	5	2			
N Kurland	4				
A Redmond (retired July 2011)	1 of 2	1 of 1	2 of 2	1 of 1	
N Scales	3			2	
D Shackleton	4	4		3	
N Thorp	4	3			
B Wong	5				
<u>Associate Trustees</u>					
P Bounds		3			
M McNamee				2	
J Tarn				3	

The number of meetings held in the year is shown in brackets next to meeting name. Where Trustees are not members of the Committee, the respective column is left blank. Where Trustees have joined/left the Board or a Committee during the year, their attendance is shown as being that of a reduced number, e.g. 1 of 2 – the Trustee was eligible to attend two meetings and attended 1 of those and was absent for the other.

This strong attendance record is reflective of the commitment and enthusiasm that the Trustees show for their roles.

Control Environment

All aspects of the control environment are covered by the Governance Framework, from the culture and values of the organisation to the systems and processes that are in place to ensure that the activities and business of NML are properly controlled. It is in place to ensure that NML is able to deliver its strategic plan through agreed objectives and that this is achieved through the consideration and delivery of cost effective and appropriate decision making.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the delivery of NMLs' policies, aims and objectives being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

In order to assess and monitor the level of risk in the organisation a risk register is maintained which documents the manner in which identified risks have been, and are being, managed. The risk register is comprehensively reviewed by the Executive Team. Emerging risks are added to the risk register and are considered against the wider implications for the organisation.

Compliance with the Corporate Governance Code

While the Board of Trustees has different responsibilities and is appointed in accordance with the Museums and Galleries on Merseyside Order 1986, we confirm that in so far as it is relevant for an NDPB, NML is moving towards compliance with the intentions of the 'Corporate governance in central government departments: Code of good practice 2011'. The Board is well balanced in composition, and supports the Director in leading NML through strategic direction, monitoring activity, achievement of objectives and ensuring good governance is in place. The work of the Board is well supported by strong management at sub committee level. Board of Trustee minutes are available on NML's website.

An annual review of the effectiveness of the Board will be carried out during the coming financial year.

During the year the Audit Committee received and responded to an internal audit review of its own effectiveness. Recommendations made and accepted as a result of this review are in the process of being implemented.

Governance of Trading Subsidiary

The governance and monitoring arrangements of NML's trading subsidiary, National Museums Liverpool Trading Limited (NMLT), are reflected by representation on the Board of NMLT and the consequent ability to control strategic direction; receipt and scrutiny of regular financial and operational reports; receipt and scrutiny of the findings of internal and external audit through submitted reports; and review of the Risk Register of NMLT.

Review of the Effectiveness of Governance

The effectiveness of NML's Governance Framework is under continuous review. This includes internal controls around all financial, operational and risk management processes. The effectiveness of the internal controls processes is ascertained by a rolling plan of review by NML's outsourced internal audit work in addition to the regular review and update of risks.

The level of assurance in the process of internal control and risk management is informed by the work of internal audit, the Executive Team and other senior managers within NML. In addition reliance is also placed on the information provided by External Audit in the form of specific reports and their management letter.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

NML has suffered no protected personal data incidents during 2011-2012 and has made no reports to the Information Commissioner's Office.

Internal Audit

NML has outsourced its internal audit function, and during the year changed its provider to PricewaterhouseCoopers. As a result the Head of Internal Audit report only covers the six months ended 31 March 2012. The Audit Committee approved the internal audit plan in September 2011 for the period to March 2012. Detailed terms of reference are agreed with the appropriate Executive Team member for each review, and take into account the specific risks identified for that Directorate. Once the work has been completed and management have provided their response to the recommendations, the full report is reviewed by the Audit Committee. The Accounting Officer is committed to the implementation of any agreed recommendations as a result of reviews carried out by Internal Audit. The Accounting Officer met with Internal Audit and has been informed of the overall progress of the Internal Audit programme of work. This, in turn, has enabled the appropriate level of prioritisation to be given to the completion of Internal Audit reports and the implementation of recommendations.

During the year internal audit reviews have been carried out in the following areas according to the internal audit plan: Audit Committee effectiveness (carried out by previous provider), Central Finance, Counter Fraud (including the Bribery Act), Procurement, Volunteer Vetting, Risk Management, Admission Fees (for the *Age of the Dinosaur* exhibition). In addition a rolling programme of venue-based reviews is carried out which focuses on physical security processes and financial controls. These reviews have highlighted a number of recommendations which have been accepted by management and will be implemented during the coming year.

In addition to the main plan the Audit Committee has commissioned the following reviews in relation to areas where risk was identified: governance of the identification and management of novel, contentious and potentially repercussive transactions; and governance of the process around the acceptance of a specific legal settlement. These reviews have led to recommendations around the need to update internal procedures, provide training, improve communications with the DCMS and the need to clarify delegations for communications during the absence of key staff members. The recommendations from these two reviews have been agreed by management and are in the process of being implemented.

There are three main areas of concern which will be prioritised during the coming year: to improve the Risk Management process and develop a Risk Management Policy to give clarity around how risk is managed within the organisation; to update the Fraud Policy, Fraud Response Plan and deliver update training; and to review and update the Procurement Policy.

Quality of Information presented to the Board

A standard reporting set has been agreed with the Chair and the Secretary to the board ensures that agendas are set to include all requested items from previous meetings. The Secretary to the board also provides input regarding the quality of reports and the inclusion of relevant and requested information presented to the board.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

The Chairs of Audit and Finance Committees meet with the Executive Director of Finance in advance of committee meetings to discuss the agenda items that will be covered and ensure that the coverage is appropriate. In addition standing agenda items are agreed for each Committee which cover longer term priorities to be reviewed. The Audit Committee has requested some change to the reporting provided on risk management. An independent review was carried out by Internal Audit to look at the risk management process. This review highlighted some recommendations which have been accepted and will be implemented during the coming year.

Risk Management

The risk management process is designed to enable risks to be identified and then to put plans into place to either manage or mitigate them. The risk register is reviewed at each Audit Committee meeting. Periodically, members of the Executive Team will present to the Audit Committee on the risks pertaining to their directorate. In addition risks are evaluated and added to the risk register when they arise. NML continues to manage the risks associated with the significant cuts in government Grant-in-Aid, of which it was advised in October 2010.

The Audit Committee have requested that the process for reporting risk at a more detailed level for each directorate be improved. As a result of the Internal Audit review of the risk management process, a number of improvements will be made to ensure that the Audit Committee are satisfied that the information received enables them to discharge their responsibilities in this area more effectively.

The Accounting Officer is ultimately responsible for the Risk Management process, ensuring that responsibilities are discharged as follows:

- Providing leadership and direction to the Risk Management process;
- Ensuring that the Risk Management strategy is understood and is applied consistently;
- Regular review of the risk register and the actions agreed to manage identified risk;
- Ensuring that an appropriate level of review is in place to provide assurance that NML is operating an effective internal control environment; and
- Ensuring that each risk is assigned to a member of the Executive Team who is responsible for the implementation and monitoring of actions identified to manage the risk.

During the year the following key risks have been identified as strategic risks to the organisation and managed accordingly:

- The finalisation of a major capital project - the new Museum of Liverpool;
- Major funding bodies reduce available revenue and capital funding;
- Failure to maintain and protect our collections;
- Failure to use our collections appropriately;
- Failure to attract 2 million+ visitors to our museums each year;
- Deterioration of the structure and fabric of the estate; and
- Absence of an Executive Team member for a significant period of time.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2012**

Governance issues

The following issues arose during the year 1 April 2011 to 31 March 2012:

- NML accepted an offer of settlement regarding a specific legal case. The construction of the offer involved payment being made by both sides resulting in a net payment to NML. DCMS was notified and it was brought to NML's attention that both DCMS and HM Treasury (HMT) approval should have been sought in advance of agreeing the settlement. Following two detailed reviews carried out by internal audit and a full review of the supporting information for accepting the settlement, retrospective approval was obtained from HMT on 5 September 2012. HMT confirmed that they were satisfied that NML used rational principles in reaching its decision and that this decision was a reasonable use of public funds; and
- A routine audit of the European Regional Development Fund (ERDF) grant towards the fit-out of the Museum of Liverpool identified an issue around the early stage procurement processes. This issue had already been identified by NML and corrective action had been taken. NML has verified that this issue would not have changed the decisions with regard to the awarding of contracts. A 10% penalty was imposed which will take the form of a clawback (or reduction) in the overall grant that can be claimed with relation to the contracts affected. NML is in the process of appealing the decision.

Additional measures have been put into place in order to increase and strengthen contact and improve communication and understanding between NML and the DCMS.

Dr David Fleming OBE
Director & Accounting Officer
Date: 13 November 2012

Professor Phil Redmond CBE
Chairman of Trustees
Date: 13 November 2012

**National Museums & Galleries on Merseyside
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 National Museums and Galleries on Merseyside for the year ended 31 March 2012 under the Merseyside Museums and Galleries Order 1986. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board of Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and Director as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Merseyside Museums and Galleries Order 1986. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Museums and Galleries on Merseyside's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Museums and Galleries on Merseyside; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**National Museums & Galleries on Merseyside
The Certificate and Report of the Comptroller and Auditor General to the
Houses of Parliament**

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the National Museums and Galleries on Merseyside's affairs as at 31 March 2012 and of its net incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Merseyside Museums and Galleries Order 1986; and
- the information given in Legal and Administration; Operating Review; Financial Review; and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

**Amyas C E Morse
Comptroller and Auditor General**

Date 16 November 2012

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

**National Museums & Galleries on Merseyside
Consolidated Statement of Financial Activities
For the year ended 31 March 2012**

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2012 £000	2011 £000
<u>Incoming resources:</u>					
Grant-in-Aid - DCMS	2	21,875	-	21,875	23,712
Grant-in-Aid - UK Border Agency	2	-	304	304	337
Incoming resources from generated funds:					
Voluntary income:					
Grants and donations	2a	195	5,550	5,745	7,651
Gifts	6a	-	308	308	322
Merchandising income of subsidiary company	9	2,972	-	2,972	2,054
Investment income	7b	16	36	52	60
Incoming resources from charitable activities	7a	<u>1,491</u>	<u>-</u>	<u>1,491</u>	<u>594</u>
Total incoming resources		<u>26,549</u>	<u>6,198</u>	<u>32,747</u>	<u>34,730</u>
<u>Resources expended:</u>					
Costs of generating funds:					
Fundraising costs in respect of voluntary income		383	-	383	425
Costs of subsidiary company merchandising	9	2,718	-	2,718	2,046
Charitable activities:					
Care of collections		6,554	929	7,483	6,821
Care of buildings		7,669	2,990	10,659	8,667
Visitor services		4,625	194	4,819	3,746
Exhibitions		1,777	97	1,874	1,561
Education and research		2,831	129	2,960	3,152
Other resources expended:					
Grants to third parties		140	-	140	140
Fees and charges activities of charity staff		418	-	418	422
Governance costs		<u>250</u>	<u>-</u>	<u>250</u>	<u>250</u>
Total resources expended	4	<u>27,365</u>	<u>4,339</u>	<u>31,704</u>	<u>27,230</u>
Net incoming resources before transfers between funds	3	(816)	1,859	1,043	7,500
Transfers between funds		<u>16</u>	<u>(16)</u>	<u>-</u>	<u>-</u>
Net incoming resources after transfers between funds		(800)	1,843	1,043	7,500
Movement on assets:					
Unrealised net (loss)/ surplus on revaluation of fixed assets and investments	6 & 24	<u>(18,191)</u>	<u>(12,853)</u>	<u>(31,044)</u>	<u>2,060</u>
Net movement in funds		<u>(18,991)</u>	<u>(11,010)</u>	<u>(30,001)</u>	<u>9,560</u>
Fund balances brought forward at 1 April		<u>118,651</u>	<u>118,028</u>	<u>236,679</u>	<u>227,119</u>
Fund balances carried forward at 31 March	14	<u>99,660</u>	<u>107,018</u>	<u>206,678</u>	<u>236,679</u>

All of NML's operations relate to continuing activities. There are no recognised gains and losses other than those shown above. The notes on pages 49 to 87 form part of these accounts.

**National Museums & Galleries on Merseyside
Consolidated Balance Sheet
As at 31 March 2012**

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	6	190,954	218,788
Heritage assets	6a	<u>10,774</u>	<u>10,469</u>
		201,728	229,257
Current assets:			
Stock		235	169
Investments	24	536	649
Debtors	10	3,857	5,791
Cash at bank and in hand		<u>4,974</u>	<u>5,658</u>
		9,602	12,267
Creditors: amounts falling due within one year	11	<u>(2,890)</u>	<u>(4,155)</u>
Net current assets		<u>6,712</u>	<u>8,112</u>
Total assets less current liabilities		<u>208,440</u>	<u>237,369</u>
Creditors: due after more than one year	11	(558)	(660)
Provisions	12	<u>(1,204)</u>	<u>(30)</u>
Total net assets		<u>206,678</u>	<u>236,679</u>
Represented by:			
Income funds			
Restricted funds	14	107,018	118,028
Unrestricted funds:			
Designated funds	14	97,907	115,756
General funds	14	<u>1,753</u>	<u>2,895</u>
Total funds		<u>206,678</u>	<u>236,679</u>

The notes on pages 49 to 87 form part of these accounts

Dr David Fleming OBE
Director and Accounting Officer
Date: 13 November 2012

Professor Phil Redmond CBE
Chairman of Trustees
Date: 13 November 2012

**National Museums & Galleries on Merseyside
Museum Balance Sheet
As at 31 March 2012**

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	6	190,729	218,588
Heritage assets	6a	10,774	10,469
Investment in NML Trading Limited	9	<u>380</u>	<u>380</u>
		201,883	229,437
Current assets:			
Stock		17	17
Investments	24	536	649
Debtors	10	4,125	6,089
Cash at bank and in hand		<u>4,485</u>	<u>5,183</u>
		9,163	11,938
Creditors: amounts falling due within one year	11	<u>(2,599)</u>	<u>(3,999)</u>
Net current assets		<u>6,564</u>	<u>7,939</u>
Total assets less current liabilities		<u>208,447</u>	<u>237,376</u>
Creditors: amounts due after more than one year	11	(558)	(660)
Provisions	12	<u>(1,204)</u>	<u>(30)</u>
Total net assets		<u>206,685</u>	<u>236,686</u>
Represented by:			
Income funds			
Restricted funds	14	107,018	118,028
Unrestricted funds:			
Designated funds	14	97,907	115,756
General funds		<u>1,760</u>	<u>2,902</u>
Total funds		<u>206,685</u>	<u>236,686</u>

The notes on pages 49 to 87 form part of these accounts

Dr David Fleming OBE
Director and Accounting Officer
Date: 13 November 2012

Professor Phil Redmond CBE
Chairman of Trustees
Date: 13 November 2012

National Museums & Galleries on Merseyside
Consolidated Cash Flow Statement
For the year ended 31 March 2012

	Notes	2012	2011
		£000	£000
Net cash inflow from operating activities	19	9,026	9,500
Returns on investments and servicing of finance:			
Interest and dividends received		52	60
Decrease in investments		144	209
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<u>(9,906)</u>	<u>(8,983)</u>
Increase in cash in the year	19	<u>(684)</u>	<u>786</u>

The notes on pages 49 to 87 form part of these accounts

1. Accounting policies

a) *Basis of accounting*

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

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

The financial statements are prepared on a going concern basis, and under the historical cost convention as modified by the revaluation of land and buildings and current asset investments. They have also been prepared in accordance with applicable accounting standards and generally accepted accounting practice in the United Kingdom.

Consolidated financial statements have been prepared for NML and its subsidiary company NMLT. In addition a separate balance sheet has been prepared for NML alone. NML's investment in NMLT is shown at book value, less any provision for material impairment.

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

A number of funds which predate NML's existence, which share a commonality of Trusteeship, have not been consolidated but are declared in full, as in note 23.

b) *Incoming resources*

Grant-in-Aid from the DCMS is taken to the SOFA in the year in which it is received.

Capital grants with a restricted application, Lottery income, European Development Fund and income from the Northwest Regional Development Agency are recognised as and when the conditions for their receipt have been met.

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

A small amount of commercial income has been deferred under the receivable convention; this will be matched and released as and when the contractual obligations have been discharged.

All other income is accounted for on a receivable basis. Income from charitable activities primarily includes; rental income, fees and charges commercial contracts, exhibitions and car parking income.

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

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2012

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

c) ***Expenditure***

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

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

Liabilities are recognised on an accruals basis.

Depreciation costs are allocated on a direct basis where applicable and the remainder based upon the same pro-rata basis as above; within the charity heads. NMLT Ltd depreciation is allocated directly to the costs of the subsidiary company.

Costs of generating funds includes fundraising; seeking contributions, charitable donations and grant income. It also includes the costs of the wholly owned subsidiary trading company.

Governance costs are; external audit fees, corporate governance (including internal audit), legal advice on governance issues and an apportionment of Finance Department costs associated with governance.

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

d) ***Heritage assets***

There were no valuations available for items acquired before 1 April 2001. All heritage assets where cost or valuation information is available are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated, or revalued as a matter of routine since the carrying values of many of the assets are affected by market demand.

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

The accounting and disclosure requirements under FRS30 are addressed at note 6. The Trustees have considered the cost of valuing the non-capitalised heritage assets, but the Trustees believe that the cost of doing so is disproportionate and not an appropriate use of the charity's funds.

The threshold for capitalisation of gifts is £500.

e) **Fund accounting**

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. These are described in more detail in Note 14.

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

Transfers between funds occur when small amounts of general funds are designated; general revenue funds are applied to capital expenditure and similarly when restricted funds are applied to major capital schemes.

f) **Tangible fixed assets**

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

Freehold buildings	50 years
Long leasehold buildings	over the lease term up to a maximum of 50 years
Furniture and fittings	4 years (museum) 8 years (subsidiary)
Permanent Galleries	10-15 years
Motor vehicles	4 years

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

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

Land and buildings are professionally revalued every five years. The last full quinquennial external valuation of all NML's land and buildings was undertaken as at 31 March 2012. In the intervening years a Modified Historical Cost Accounting (MHCA) index is used for land and buildings; the indices are taken from the BIS Price Tender Index for Public Sector Building (non-housing) and are applied to the gross brought forward balances for the year.

The permanent galleries within the new Museum of Liverpool have been included in the full revaluation this year; however the carrying depreciated value is marginally less than the valuation. It has been determined to be prudent not to amend the stated value.

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

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

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

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

NML holds a number of finance leases at nil cost which are valued within fixed assets (land and buildings) on the balance sheet. These finance leases are on a peppercorn rent basis.

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

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

The full cost of the accrued liability for annual compensation payments under early retirement arrangements are recognised in the year of departure or where applicable in the year of the obligating event.

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

j) **Taxation**
NML is an exempt charity by virtue of schedule 2 to the Charities Act 1993 and its primary purpose activity is exempt from Corporation Tax under the Income Tax Act 2007. The profits of the trading company are passed annually to the charity in such a way that any tax liability is mitigated in line with HMRC guidance.

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

k) Provisions

NML makes a specific provision in respect of an early retirement scheme where appropriate in the year of the obligating event. Under this scheme, the Museum bears the cost of these benefits until the normal retirement age. The liability is recognised in NML's accounts.

The total pension liability up to normal retiring age in respect of each employee is charged to the Statement of Financial Activities in the year in which the employee takes early retirement and an increase in the provision for pension payments is made. Funds are released from the provision annually to fund pension payments to the retired employee until normal retiring age.

Where a constructive obligation exists at 31 March a provision is made for voluntary severance in line with the accounting standard FRS12. The estimates are quantified by Paymaster.

l) Investments

The investment manager (Rathbone Investment Management) is required to avoid exposure to investments, which, are deemed to be unsuitable in the context of the trustees' objectives, when considering the portfolio as a whole.

Investment income from securities includes dividends and distributions declared as payable during the year and are treated as restricted funds.

Investments listed on a recognised stock exchange are re-valued at year-end market value price, excluding any applicable accrued interest. Unrealised and realised gains and/or losses are recognised in the Statement of Financial Activities.

The Museum investment in NML Trading Limited is shown at book value, less any provision for material impairment.

m) Long-term Creditors

The Museum received a payment from the operator of the Combined Heat and Power scheme in relation to the Museum of Liverpool, prior to the operation of this equipment, as a contribution towards the Museum's necessary start-up costs. The amount received has been accrued for and will be released to the Statement of Financial Activities over the duration of the contract; 17 years. The first year was 2010-2011.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2012

2. Grant-in-Aid £21,875,000 of DCMS Grant-in-Aid has been received during the year (2011: £23,712,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:

	2012	2011
	£000	£000
General fund	20,526	21,112
Government grant capital allocation	<u>1,349</u>	<u>2,600</u>
	<u>21,875</u>	<u>23,712</u>

NML also receives Grant-in-Aid from the UK Border Agency (UKBA). The amount received in 2011-2012 was £304,000 (2010-11 £336,697). No Capital GiA was received from UKBA in 2011-2012 (2010-11 £nil). A summary can be seen at note 16.

2a.Grants & donations £5,744,000 (£7,651,000 2010-2011) was received during the year; of which only £195,000 (£51,000 2010-2011) was unrestricted. The restricted income included the following contributions towards NML's capital programme:-

	2012	2011
	£000	£000
Heritage Lottery Fund	3,465	3,471
European Regional Development Fund	1,251	1,518
Northwest Regional Development Agency	-	104
Other revenue and capital grants and donations	<u>834</u>	<u>2,507</u>
	<u>5,550</u>	<u>7,600</u>

3. Net incoming resources

	2012	2011
	£000	£000
Net incoming resources before transfers is stated after charging for:		
Travel and subsistence (including Trustees)	211	127
Hospitality	35	34
Operating lease payments (Ener-G CHP scheme)	471	230
Operating lease payments (Other)	62	52
Consolidated audit fee	48	50
Trading company audit fee	8	7
Depreciation	5,956	3,641

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2012

4. Total resources expended	Staff Costs	Other Costs	Depreciation	2012 Total	2011 Total
	£000	£000	£000	£000	£000
Costs of generating funds:					
Fundraising costs	339	44	-	383	425
Cost of subsidiary company merchandising	1,328	1,340	50	2,718	2,046
Charitable activities:					
Care of collections	5,222	1,307	954	7,483	6,821
Care of buildings	758	5,038	4,863	10,659	8,667
Visitor services	3,980	798	41	4,819	3,746
Exhibitions	816	1,038	20	1,874	1,561
Education and research	2,216	716	28	2,960	3,152
Grants to third parties	-	140	-	140	140
Fees & charges activities of charity staff	292	126	-	418	422
Governance costs	<u>89</u>	<u>161</u>	-	<u>250</u>	<u>250</u>
Total resources expended	<u>15,040</u>	<u>10,708</u>	<u>5,956</u>	<u>31,704</u>	<u>27,230</u>
Governance costs includes:					
External audit fees	-	55	-	55	57
Corporate governance	54	-	-	54	53
Internal audit	-	61	-	61	38
Legal advice	-	42	-	42	67
Finance	<u>35</u>	<u>3</u>	-	<u>38</u>	<u>35</u>
	<u>89</u>	<u>161</u>	-	<u>250</u>	<u>250</u>

The External audit fees do not include fees for non-audit work. No such work was carried out.

Support costs;	Care of Collections	Care of Buildings	Visitor services	Exhibitions	Education & research	Total
Management	102	35	77	19	44	277
Finance (inc Audit)	237	143	177	55	105	717
ICT	259	215	192	70	117	853
Office services	22	41	16	10	11	100
Human resources	<u>204</u>	<u>118</u>	<u>153</u>	<u>47</u>	<u>90</u>	<u>612</u>
	<u>824</u>	<u>552</u>	<u>615</u>	<u>201</u>	<u>367</u>	<u>2,559</u>

The support costs are contained within the respective charitable activities headings above.
The Museum depreciation is split between Unrestricted £2.610m and Restricted £3.296m.
The unrestricted element counts against NML's non-cash GiA allocation.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2012

5. Staff costs

During the year staff costs directly associated with the delivery of NML's major capital project were capitalised; a new Museum of Liverpool. The amount for the year was £513,096. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML	NML	Total	Total
	Trading Ltd		2012	2011
	£000	£000	£000	£000
Wages and salaries	11,232	1,252	12,484	12,203
Social security costs	754	68	822	804
Pension costs	<u>1,726</u>	<u>8</u>	<u>1,734</u>	<u>1,773</u>
Staff Costs within operating expenditure	13,712	1,328	15,040	14,780
Capitalised staff costs	513	-	513	876
Agency staff costs	<u>28</u>	<u>-</u>	<u>28</u>	<u>22</u>
Total staff costs	<u>14,253</u>	<u>1,328</u>	<u>15,581</u>	<u>15,678</u>

The capitalised staff costs related to capital projects include; Basic Pay £404,012
Employers NIC £32,321 and Employers Superannuation costs £76,762.

All NML employments are covered by the Principal Civil Service Pension Scheme. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but NML is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (**Hewitt Bacon Woodrow**) valued the scheme as at 31 March 2007. You can find details in the resource accounts of the **Cabinet Office: Civil Superannuation** (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £1,775,774 were payable to the PCSPS (2010-11: £1,865,209) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands (the rates in 2010-11 were between 16.7% and 24.3%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. In 2011-12 the salary bands were revised and the rates revised as above. From 2012-13, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £27,600 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,098.78, 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

There were no early retirements on **ill-health** grounds during the year; the total additional accrued pension liabilities in the year amounted to zero.

The subsidiary trading company previously operated a defined contribution scheme. The current pension arrangement means that the pensionable employees of the subsidiary company are in direct contract with the pension provider. NMLT makes a contribution of 5% of basic salary to the pension plans of those staff who are members of the Group Plan and the liability of the subsidiary is limited to this contribution. The employers' contribution amounted to £7,946 (2010-2011; £9,557).

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2012

There were three members of staff in the salary band £55,001 - £65,000; one member in the salary band £65,001 - £70,000; two in the salary band £70,001 - £75,000 and one member in the salary band £105,001 - £110,000. This is no change from the previous year.

The average number of 'Full-Time Equivalent' employees analysed by directorate were:

Employee Configuration as at 31 March 2012	2012	Employee Configuration as at 31 March 2011	2011
Director's Office	5	Director's Office	7
Museum Secretary's Office	1	Museum Secretary's Office	1
Development and Communications	53	Development and Communications	53
Public Services:		Public Services:	
Collections Management	99	Collections Management	104
Education, Communities & Visitors	235	Education, Communities & Visitors	196
Museum of Liverpool	56	Museum of Liverpool	65
Human Resources	15	Human Resources	16
Finance, ICT & Procurement	35	Finance, ICT & Procurement	37
Cleaning Services (TFR to Visitors)		Cleaning Services	41
NML Trading Ltd	<u>63</u>	NML Trading Ltd	<u>58</u>
	<u>562</u>		<u>578</u>

The average number of 'Full-Time Equivalent' employees analysed by category of staff were:

Employee Configuration as at 31 March 2012	2012	Employee Configuration as at 31 March 2011	2011
Senior Management Team	22	Senior Management Team	22
Staff on permanent contract	420	Staff on permanent contract	416
Staff on fixed term contracts	<u>120</u>	Staff on fixed term contracts	<u>140</u>
Total	<u>562</u>	Total	<u>578</u>

NML does not have data available to analyse over the organisation's "Charitable Activities" as required by the SORP.

The average number of 'Full-Time Equivalents' capitalised is 20.

Trustees

The Trustees neither received nor waived any emoluments during the year. Payments to reimburse Trustees' travel and subsistence costs associated with the attendance of meetings amounted to £1,529 (2010-2011: £1,250). Five Trustees were reimbursed in 2011-2012 (five in 2010-2011).

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

6. Tangible fixed assets	Land	Buildings	Furniture & Fittings	Permn't Galleries	Motor Vehicles	Assets in Course of Construction	Sub-total	Heritage Assets (note 6a)	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost/valuation									
Valuation base at 01-Apr-11	14,895	135,450	22,016	6,396	96	74,561	253,414	10,469	263,883
Additions in year	-	2,051	341	6,630	-	174	9,196	305	9,501
Disposals	-	-	(16)	-	-	-	(16)	-	(16)
Transfers from AICC	6,940	56,949	-	10,672	-	(74,561)	-	-	-
Revaluation	<u>(10,150)</u>	<u>(35,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,810)</u>	<u>-</u>	<u>(45,810)</u>
Closing valuation	<u>11,685</u>	<u>158,790</u>	<u>22,341</u>	<u>23,698</u>	<u>96</u>	<u>174</u>	<u>216,784</u>	<u>10,774</u>	<u>227,558</u>
Depreciation									
Balance as at 01-Apr-11	-	10,847	21,485	2,203	91	-	34,626	-	34,626
Base charge for year	-	3,889	271	1,793	3	-	5,956	-	5,956
Disposals	-	-	(16)	-	-	-	(16)	-	(16)
Revaluation	<u>-</u>	<u>(14,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,736)</u>	<u>-</u>	<u>(14,736)</u>
Balance as at 31-Mar-12	-	-	<u>21,740</u>	<u>3,996</u>	<u>94</u>	-	<u>25,830</u>	-	<u>25,830</u>
Net book value:									
At 31 March 2012	<u>11,685</u>	<u>158,790</u>	<u>601</u>	<u>19,702</u>	<u>2</u>	<u>174</u>	<u>190,954</u>	<u>10,774</u>	<u>201,728</u>
At 31 March 2011	<u>14,895</u>	<u>124,603</u>	<u>531</u>	<u>4,193</u>	<u>5</u>	<u>74,561</u>	<u>218,788</u>	<u>10,469</u>	<u>229,257</u>

This note reflects the consolidated position of NML and its subsidiary trading company NMLT. All of the tangible fixed assets of the trading company are shown within furniture and fittings. The net book value as at 31 March 2012 was made up of:

	2012	2011
	£000	£000
NML tangible fixed assets	190,729	218,588
NML heritage assets	10,774	10,469
NMLT tangible fixed assets	<u>225</u>	<u>200</u>
	<u>201,728</u>	<u>229,257</u>

Further information on heritage assets is set out in note 6a.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Net Book Value of Land and Buildings.

NML has operated a revaluation policy in relation to its land and buildings since its formation in 1986. Under the valuation conventions of the Royal Institute of Chartered Surveyors a full revaluation is carried out every five years, an appropriate index is used for land & buildings to cover the intervening periods.

NML instructed Drivers Jonas Deloitte, chartered surveyors, to carry out a full valuation of its land and buildings as at 31 March 2012 and the results of the valuation are reflected in the financial statements. The table reflects a reduction this year in net book value .

The Mann Island Site and the Maritime Park have been affected by the construction of the new Museum of Liverpool and the extension of the Leeds- Liverpool Canal. In prior years the area of land upon which the new museum has been built has been treated as land associated with Assets in the Course of Construction along with the base build costs of the museum.

The results, and the basis of the valuation, across all sites are shown below:

Property	Basis	Land Value	NBV Bldgs	Land Value	NBV Bldgs
		31-Mar-11	31-Mar-11	31-Mar-12	31-Mar-12
		£	£	£	£
Freehold Properties					
Lady Lever Art Gallery	DRC	485,000	6,159,931	300,000	6,150,000
County Sessions House	DRC	436,500	1,685,130	410,000	1,500,000
The Walker	DRC	2,580,200	14,415,705	1,621,000	15,963,000
World Museum	DRC	2,551,100	52,599,195	2,500,000	48,900,000
Sudley House	DRC	124,800	1,733,833	250,000	1,500,000
Juniper Street	EUV	-	3,151,333	630,000	2,970,000
Dale Street	EUV	-	2,206,641	1,250,000	1,383,500
Maritime Park (Yellow Zone):-					
Great Western Railway (GWR) Building	EUV	270,000	437,897	120,000	230,000
GWR Amenity Land (T7A)	DRC	140,000	-	-	-
Dockmaster's House	EUV	70,000	97,310	30,000	110,000
Canning Docks	DRC	2,420,000	983,705	1,300,000	1,900,000
Canning Docks / Pilotage Amenity Land	EUV / MV	2,790,000	-	-	-
Museum of Lpool Life retained / Pilotage building	EUV	220,000	622,787	320,000	585,000
Maritime Park (Red Zone):-					
Museum of Liverpool	DRC	-	-	1,650,000	46,680,000
Prospective canal basin (T1A)	EUV / MV	330,000	-	-	-
Land abutting canal basin (T2)	EUV / MV	110,000	-	-	-
Western Steps (T7B)	EUV / MV	90,000	-	-	-
		12,617,600	84,093,467	10,381,000	127,871,500
Long Leasehold Properties					
Oratory	DRC	48,000	48,703	60,000	80,000
Maritime 'D' Block	DRC	810,000	21,769,746	450,000	17,600,000
Maritime Piermaster's House	DRC	180,000	477,291	70,000	230,000
Piermaster's and Cooperage	DRC	-	-	75,000	225,000
The Walker	DRC	20,000	136,369	29,000	137,000
Conservation Centre	DRC	1,220,000	15,821,567	410,000	11,600,000
Dale Street (11 North St)	EUV	-	74,516	-	56,500
Dock Traffic Office	EUV	-	2,181,779	210,000	990,000
		2,278,000	40,509,971	1,304,000	30,918,500
Totals		14,895,600	124,603,438	11,685,000	158,790,000

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

DRC – Depreciated Replacement Cost
 EUV – Existing Use Value
 OMV – Open Market Value
 MV – Market Value

After the buildings revaluation and land revaluation the net book value of land and buildings comprises:

	£000
Land	11,685
Freehold buildings	127,872
Long leasehold buildings	<u>30,918</u>
	<u>170,475</u>

**Assets in the
 Course of
 Construction**

Assets in the Course of Construction

Assets in the Course of Construction consist of:

	£000
Museum of Liverpool - Theatre Fit-Out	174,000
Land associated with assets in the course of construction	<u>0</u>

Disposals in year

There was £15,975 (historic cost) of furniture and fittings disposals for the subsidiary trading company.

6a. Heritage Assets

NML's collections are among the most diverse of the national collections, encompassing the fine and decorative art, ethnology, antiquities, physical sciences, social history, maritime history, transatlantic slavery, regional archaeology, maritime archives, botany, geology and zoology and UK Border Agency collections spread across the organisation.

The collections are held at NML sites in and around Liverpool (Museum of Liverpool, Walker Art Gallery; Merseyside Maritime Museum; World Museum; Lady Lever Art Gallery; International Slavery Museum; UK Border Agency National Museum; Sudley House; Oratory; North Street Warehouse and Juniper Street stores 1 and 2), and at sites around Britain with long-term loans from the collections.

Overall collection total is within the region of 4 million items. The quantification of the collections is complex, particularly taking into account collection areas such as Maritime Archives which quantifies by linear metre (or boxes) rather than individual items. Similarly, the natural science collections within World Museum are extremely diverse and a specimen may comprise of more than one item. Regional archaeological collections, comprising the products of archaeological excavations (bulk finds such as ceramics, building materials, animal bone etc) are not easily quantified by object numbers, and have been assessed on the basis of the number of boxes. The following provides an approximation of the spread and extent of the collections:

- 68,000 fine and decorative art collections
- 12,000 maritime history items
- c.80,000 social history items
- c.10,251 boxes (or 3,768 linear metres) maritime archives, comprising between 1 – 2 million items
- 449 boxes of finds, 21 units of paper archives and c.78,000 photographs from regional archaeological excavations
- 82,500 antiquities items, 1,015 boxes of finds, 67 units of paper archives from archaeological excavations
- 400,000 botanical specimens
- 55,000 earth science specimens
- 24,000 physical science and horology items
- 41,000 ethnographic items
- Over one million entomology and invertebrate zoology specimens
- 74,000 vertebrate zoology specimens
- 5,500 material from UK Border Agency collection
- 104,000 books

Valuing the collections

Past practice has been a policy of non-valuation of the collections while they are within the NML estate. Valuations have been provided for items being lent from NML to another institution for insurance purposes. In such circumstances, valuations are provided by the relevant curatorial department, who base their valuations on current market prices for similar items at that particular point in time.

The Trustees have considered the cost of valuing the non-capitalised heritage assets, but the Trustees believe that the cost of doing so is disproportionate and not an appropriate use of the charity's funds.

In order to value the non-capitalised heritage assets, NML would need to seek valuations for all of the above collections (excluding those acquired since the introduction of the capitalisation of the collections in April 2001). It is worth bearing in mind the following factors:

- The range of NML's collections is so great that in-house curatorial expertise is not available in all collection areas;
- There is variation in the expertise of curators in valuing collections and for some collections, it may not be available or exist.
- Large parts of the collections do not themselves have an inherent market value (for example, parts of the natural science collections), their 'value' being the information about them
- Professional practice in some collections, such as archives, is not to catalogue to item level and this would affect our ability to value this type of collection.
- In order to obtain meaningful valuations, curatorial research into the current market values of collection areas would be required and this would present a significant resource implication both in terms of time and access to online auction catalogues. This is particularly true for collection areas where items rarely come onto the open market.
- Market values go up and down, therefore, once valued, in order to retain meaningful and useful valuations, it would be necessary to continuously review prices achieved at auction for collection areas. This would have an impact on existing work programmes.

In summary NML would have to embark upon a major project of researching the market value of its collections. It is difficult to estimate the amount of time that this would take, as it would vary from collection to collection and between items. It would also depend upon the availability of information relating to market values for collection items and may require significant research time to achieve meaningful and realistic valuations. Recent experience has shown that for some collection areas that rarely come on the open market in the UK, advice has had to be sought from expert valuers in the US, at a cost. In addition to research time, there would be handling and access requirements, data entry and project management, all of which would significantly add to the time involved. It is also likely that there may be collection areas where NML may have to buy in expertise in order to provide meaningful values.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Capitalised Heritage Assets

Since 1 April 2001, heritage assets acquired by NML have been reported in the balance sheet where cost / valuation information is available.

For collections acquired prior to the introduction of the Capitalisation of the Collections, NML has demonstrated that this information cannot be obtained at a cost that would be commensurate with the benefits to the users of the financial statements and that a valuation approach is not practicable.

On-Balance-Sheet Heritage Assets

	Acquisitions at historic cost	Donated assets at valuation	Total
	£000	£000	£000
At 01.04.2011	2,816	7,653	10,469
Additions	47	258	305
At 31.3.2012	2,863	7,911	10,774

Five year financial summary of heritage asset transactions

	2007-08	2008-09	2009-10	2010-11	2011-12
	£000	£000	£000	£000	£000
Additions	1,266	653	621	448	305
Purchases	82	603	158	126	47
Donations	1,184	50	463	322	258

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

All acquisitions are valued since 2001 and this information is recorded on NML's collections management software.

Only those donations with an attributed value of £500 or more were capitalised.

Valuations of donated items were carried out by NML's curatorial staff, based on their knowledge of the area in which they are collecting and if similar items have been sold recently at auction.

Natural science specimens are difficult to value, as they do not have an intrinsic financial value. NML has placed a figure of £5 per specimen.

Collections Management

NML's *Collections Management Policy* sets out the approach of the Board of Trustees to the management of the collections in its care. The *Collections Management Policy* provides the broad policy framework for the management of the collections, supported by more detailed policies (where appropriate) and procedures.

Acquisitions Policy

Acquisitions are made in line with NML's *Acquisition and Disposal Policy*, approved by the Board of Trustees in December 2008 and supported by departmental collecting plans. All acquisitions are approved by the appropriate head of collection and reported to the Board of Trustees as a standing agenda item at their meetings (5 times per year). NML's *Acquisition and Disposal Policy* was accepted and approved by the Museums, Libraries and Archives Council as part of the institution's application under the Accreditation Scheme.

Preservation

NML's *Environmental Policy*, sets out the organisation's policy regarding environmental monitoring, climate control, pollution (internal and external), display cases, floor loadings, light and UV radiation, vibration and pests. They reflect the interim environmental guidelines proposed by the National Museums Directors' Conference, and presented to the Bizot Group in 2008. The *Integrated Pest Management Policy and Procedures*, is a more detailed explanation of NML's approach to identifying and dealing with pests that present a risk to collections.

NML also holds archives, including photographs and printed ephemera in line with the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd edition, 2002). As an appointed place of deposit for public records, NML also aims to meet the standards for archives outlined in *The National Archives Standard for Records Repositories* (2004).

NML also adheres to the provisions of the Data Protection Act 1998 and the Freedom of Information Act 2000, in its acquisition, care and management of archive collections.

Documentation

Information about the collections is kept according to *Spectrum, the UK Documentation Standard*. NML is Accredited under the Accreditation Scheme, administered by Arts Council England and maintains the following records, in line with the requirements of the scheme.

- Entry records
- Exit records
- Acquisition records
- Catalogue records
- Location records
- Loans in records
- Loan out records

In addition to the above records, the organisation also maintains day books, condition reports, conservation treatment records, photographic records, etc.

The Core Record, developed by NML, contains the minimum information required for all new records created and is based upon Spectrum guidelines.

NML uses Mimsy XG, an Oracle-based collections management software for recording information about and for managing the collections. Some legacy databases remain within Access databases, but it is our intention to migrate them to Mimsy XG over time, as resources permit. Mimsy XG is Spectrum-compliant.

Maritime Archives predominantly use an Access database to store information about the collection. We are currently reviewing whether the content of this database will be migrated into Mimsy XG or into specialist archive software.

Disposal

NML's enabling legislation, the *Merseyside Museums and Galleries Order 1986* (MMGO), sets out NML's legal basis for disposal and this is further developed and explained in the *Collections Management Policy* and *Acquisition and Disposal Policy*. NML will confirm that it is legally free to dispose of an item and agreements on disposal made with donors will be taken into account. Any decision to dispose of material from the collections will be taken only after due consideration. As laid down in Article (6) of the *Merseyside Museums and Galleries Order 1986* and Section 6 (1) of the *Museums and Galleries Act 1992*, the Trustees may dispose of an object by way of sale, gift or exchange:

- where the object is transferred to another national museum or institution listed in Schedule 5 Part 1 of the Museums and Galleries Act 1992;
- where the object is a duplicate of another item already owned by NML;
- where the object is in the Board's opinion unsuitable for retention in the collections and can be disposed of without detriment to the interests of students or members of the public;
- where the object has become useless for the purposes of the collections by reason of damage, physical deterioration, or infestation by destructive organisms (in this case, the means of disposal can include destruction);

Access

Access to the collections is provided through:

Permanent galleries spread throughout the public venues, encompassing the collecting divisions – Art Galleries, World Museum, International Slavery Museum, Merseyside Maritime Museum (including UK Border Agency) and Museum of Liverpool. Gallery panels, individual labels, audio points and computer interactives provide immediate sources of information about the objects. Events and formal learning opportunities provide further interpretation.

Temporary special exhibitions allow the opportunity for collection items to be displayed in different contexts and alongside items borrowed from other collections and sources and may be displayed in NML's venues and tour to other venues in the UK and abroad (for example, *Doves and Dreams* exhibition shown at the Walker Art Gallery and the Hunterian Museum, Glasgow, or *Rossetti* exhibition shown at the Walker Art Gallery and the Van Gogh Museum, Amsterdam).

Touring exhibitions are developed from NML's collections and made available to other museums and galleries in the UK. Recent examples are *Telling Tales: Story Scrolls from India* (from World Museum) which has toured to five venues in the North West in the reporting year and *Hitched: Wedding Clothes and Customs* which has toured to Astley Hall, Chorley and two other venues in the North West.

Study Centres – within the venues, there are study centres which provide hands-on access to parts of the collections, with the assistance of demonstrator staff. The Clore Natural History Centre and the Weston Discovery Centre provide close encounters with collections drawn from the natural sciences and humanities (antiquities and ethnology); the Bug House and the Aquarium both provide visitors with the opportunity to see and encounter live specimens from the natural world. Big Art at the Walker Art Gallery and Little Liverpool at the Museum of Liverpool provide younger visitors with the opportunity to engage with collections.

Loans – NML lends extensively from the collections to support exhibition programmes in other museums and galleries, both in the UK and abroad. Long term loans are also made to organisations for display with their permanent collections. Loans are also made for study and research (principally from the natural history and field archaeology collections).

Facilities for research – subject to NML's Terms and Conditions for Access to Reserve Collections, valid researchers are permitted to access collections held in store. This service is essential for parts of the collections, such as the natural science collections, or light sensitive works on paper, where display is not always possible or desirable. Access to collections held in store, is reliant upon availability of staff resources and takes into account health and safety aspects relating to collections and any cultural sensitivities (for example, to human remains).

Publications such as exhibition catalogues, catalogues of the collections and papers in scholarly journals all provide detailed information about the collections and are written by NML staff as part of an agreed work programme.

Educational and outreach programmes are developed by the education and communities teams who work with collection curators to produce programmes. Collections are used as the basis to develop programmes aimed at a wide range of visitors. Recent examples are an evening observation event held at Sudley House. Telescopes were available for people to observe the night sky with NML staff on hand to instruct visitors in their operation.

The outreach programmes extend learning to hard to reach groups and engage people who would not otherwise visit NML's venues. Groups include young people, the elderly, families, ethnic minority communities, refugees and asylum seekers, disabled people and adults with special educational needs. The Community team works with audiences new to museums and builds strong relationships with local communities on Merseyside.

NML's website includes images and information about NML's venues, activities and collections. Small parts of the collections are available to be searched and NML is working on adding more records.

Partnerships with other cultural organisations allow us to make the collections more accessible through a number of different initiatives. Collections are extensively used to support undergraduate teaching in universities in Liverpool and in the development of touring exhibitions and targeted loan programmes.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

The additions to the collections are made by purchase and by gift. In 2011-12 the major additions were:

	£
<u>Gifts:</u>	
'Waiting – The Monument to the Liverpool Working Horse', gift from The Liverpool Carters Working Horse Monument Fund	140,000
7,500 Diptera specimens, gift from R Crossley	37,500
2,000 plus pinned British Hymenoptera, gift from E Robinson	20,000
1,300 specimens of British plants, gift from E Greenwood	13,000
Palaeontology reference collection, gift from Staffordshire University	10,000
Glass dress with cotton and bead skirt on mannequin, gift from Diana Dias-Leao	6,000
'Metatopia' acrylic and ink on panel, gift from Nick Fox	6,000
<u>Purchases:</u>	
'Liverpool Doors' installation	c.27,000
Chakra ceramic sculpture by Halima Cassell	4,000
'Mary Bamber – A revolutionary Woman' sculpture by Reichardt & Reynolds	5,000
'Dazzle painted ships' by L Campbell Taylor purchased using Tomlinson funds	3,510

The total value of gifts received during the year was £257,985 of which the main ones are shown above.

Collection Acquisitions

All additions to the collections since 1 April 2001 have been capitalised and shown on the Balance Sheet, at cost or at valuation where the obtainment of such a valuation is cost effective and the valuation reliable. Capitalised costs / values are not depreciated or re-valued as a matter of routine. Additions to the collection by way of gift are recognized as below.

Gifts

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

The threshold for capitalisation of gifts is £500.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

7. Incoming resources:

7a. Incoming resources from charitable activities	2012	2011
	£000	£000
Car parking	58	72
Exhibitions	346	136
Proceeds of settlement	700	-
Fees & charges activities	359	356
Photography	28	30
Fundraising event	-	-
	<u>1,491</u>	<u>594</u>

The proceeds of settlement relates to a legal dispute with a contractor associated with the Museum of Liverpool capital project.

7b. Investment income The investment income derives from returns on fixed interest placement with National Westminster Bank plc, and from the Tomlinson investments managed by Rathbone Investment Management Ltd.

	2012	2011
	£000	£000
Interest receivable	26	31
Tomlinson dividend receivable	<u>26</u>	<u>29</u>
	<u>52</u>	<u>60</u>

8. Financial instruments

The Museum does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, short-term investments, receivables and payables (Notes 10, 11, 12, 19 and 24). Trade receivables are recognised at fair value less a provision for impairment (bad debt). The provision is made when the Museum is of the view that the debt may not be collectable in full, or in part, in accordance with the terms.

The organisation has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to material liquidity risks.

Liquidity Risks

In 2011-12, £21.9m (67%) of NML's income derived from grant-in-aid from the Department for Culture, Media and Sport. In addition revenue grant-in-aid of £304k was received from UK Border Agency. The remaining operating expenditure was therefore financed from self-generated income which tends to be volatile in nature. NML is therefore exposed to some liquidity risk due to uncertainty of the total reserves. However, this risk is mitigated by the regular review of NML's reserves.

Going forward there is a liquidity risk for any ongoing capital programme, to the extent that the funding is dependant upon the successful generation of grant and donations; and the receipt of these funds.

Financial assets by category

	Note	2012
		£000
Trade debtors	10	245
Other debtors	10	3,292
Cash at bank and in hand	per balance sheet	4,974

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs; £298,613

An analysis of the ageing of the non impaired trade debtors is shown below;

	Trade Debtors	Less than 30 days	30-90 days	More than 90 days
	£000	£000	£000	£000
As at March 2012	245	103	105	37

The Museum's principal exposure to risk is primarily attributable to trade debtors. However this risk is minimised because most major customers are longstanding organisations with a history of working with the Museum. A bad debt provision of £45,000 (£45,000 2010-2011) has been recognised on the balance sheet. The majority of other debtors represents capital grants receivable and is therefore considered to be low risk.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Financial liabilities by category

	Note	2012
		£000
Trade creditors	11	998
Other creditors	11	1,422
Provisions	12	1,204
Repayable grants	11	99

The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs; £340,225. All liabilities are non-interest bearing.

Interest Rate Risks

As mentioned above, NML receives less than 1% of its income through returns on invested cash balances. It is therefore not exposed to any material risk in relation to fluctuating interest rates. The weighted average of fixed rate interest for invested deposits for 2011-2012 was no more than 0.6%.

Foreign Exchange Risks

NML does not engage in market dealings in respect of foreign currencies and the Trustees are therefore not exposed to any foreign exchange risks. However NML does have a Euro bank account with a small deposit balance. There was a minor "gain" at year end of c.£5,680.

Investment Risk

NML has £0.536m invested in fixed interest and equity stocks. The investment manager (Rathbone Investment Management) works to a low risk profile instruction. The amount invested represents approximately 1.6% of total incoming resources.

The Trustees recognise the risk associated with investment in mainstream financial markets and accept the risk in return for the prospect of additional returns over longer periods of time. As such, they wish to remain largely invested at all times, subject to cash reserves being held as part of the investment management process and to cover liabilities.

Repayable Grants

Repayable grants have fixed repayments and are not tradeable. They have not been recognised at fair value, as this is not significantly different from the amount at which they are stated.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

9. Trading subsidiary

NML owns all of the issued share capital of NMLT Ltd, a company registered in England and Wales. The company's principal activities consist of the provision of catering, retailing, conferencing and other services to NML's visitors.

The Directors of the company during the year were:

- Dr David Fleming OBE;
- Mr A Allen (resigned 9 November 2011);
- Mrs A Monk (appointed 20 March 2012);
- Ms L M Carstensen (appointed 9 January 2012);
- Mrs A Redmond (resigned 25 July 2011);
- Prof. Phil Redmond CBE;
- Ms Amy de Joia;
- Mrs Carmel Booth (appointed 18 April 2011); and
- Prof. John Ashton CBE (appointed 18 April 2011).

The Directors who are not employees of NML serve on a voluntary, unpaid basis.

The registered office of the company is situated at 127 Dale Street, Liverpool.

The trading performance for the year ended 31 March 2012 and the Company's Balance Sheet are set out below;

	2012	2011
	£000	£000
Sales	3,113	2,435
Cost of sales	(1,190)	(786)
Gross profit	1,923	1,649
Administrative expenses	(1,784)	(1,458)
Operating profit	139	191
Interest receivable and similar income	2	1
Profit gift-aided to NML	(141)	(177)
Profit on ordinary activities before taxation	-	15
	-	-
	-	15

For tax planning purposes, NMLT Ltd makes an annual gift aid transfer to NML.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Balance Sheet	2012	2011
	£000	£000
Fixed assets	225	200
Current assets	836	687
Current liabilities	(688)	(514)
Net current assets	<u>148</u>	<u>173</u>
Net assets	<u>373</u>	<u>373</u>
Called up share capital	380	380
Profit and loss reserve	<u>(7)</u>	<u>(7)</u>
	<u>373</u>	<u>373</u>
The authorised share capital of the company is £500,000 in £1 shares of which 380,000 shares have been allotted, called up and fully paid.		
The reconciliation to the Consolidated Statement of Financial Activities is as follows: -		
	2012	2011
	£000	£000
NMLT sales		
Non group sales as shown in the Statement of Financial Activities	2,972	2,054
Intergroup sales	141	381
Equals total NMLT Income	<u>3,113</u>	<u>2,435</u>
NMLT costs		
Non group costs as shown in the Statement of Financial Activities	2,718	2,046
Intergroup costs	256	198
	<u>2,974</u>	<u>2,244</u>
	2012	2011
	£000	£000
Amount owed by NML to NMLT	<u>14</u>	<u>7</u>
Am	<u>383</u>	<u>351</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

10. Debtors	2012	2012	2011	2011
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts due from subsidiary	383	-	351	-
Trade debtors	149	245	150	190
Other debtors	3,273	3,292	4,752	4,765
Prepayments	21	21	57	57
Taxation (VAT) recoverable	299	299	<u>779</u>	<u>779</u>
	<u>4,125</u>	<u>3,857</u>	<u>6,089</u>	<u>5,791</u>

Debtors above include a balance of £nil owed by the North West Regional Development Agency (£299,374 2010-2011), £1,790,404 by HLF (£2,878,797 2010-2011), £563,609 by the European Regional Development Fund (£1,022,195 2010-2011), and £298,613 owed by HM Revenue & Customs (£779,166 2010-2011). The total for the year is £2,652,626 (£4,979,532 2010-2011).

There were no further Whole of Government Accounts (WGA) related balances outstanding as at 31 March 2012.

11. Creditors	2012	2012	2011	2011
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts falling due within one year:				
Amounts due to subsidiary	14	-	7	-
Trade creditors	923	998	1,878	1,914
Other creditors and accruals	1,300	1,422	1,800	1,859
Deferred income	129	129	57	57
Taxation and social security	233	341	<u>257</u>	<u>325</u>
	<u>2,599</u>	<u>2,890</u>	<u>3,999</u>	<u>4,155</u>
Amounts falling due after one year:				
Accrual for CHP and Annual compensation	<u>558</u>	<u>558</u>	<u>660</u>	<u>660</u>

HMRC were owed £340,225 (£324,997 2010-2011).

There were no further WGA related balances outstanding.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

12. Provisions	2012	2012	2011	2011
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Balance brought forward	30	30	-	-
Provision in year	1,198	1,198	30	30
Less payments in year	<u>(24)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>
Balance carried forward	<u>1,204</u>	<u>1,204</u>	<u>30</u>	<u>30</u>

The provision in year represents the voluntary severance constructive obligation existing at 31 March 2012.

The remaining £6,489 provision at 31 March falls within amounts falling due within one year and £nil within amounts falling due after one year.

This represents early retirements in 2011-2012. There were nil staff members who took early retirement in 2011-2012, (two 2010-2011).

13. Financial commitments At 31 March 2012 NML had annual commitments under non-cancellable leases as follows:

	2012	2012	2011	2011
	Land & Buildings	Other	Land & Buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year:	-	2	-	7
In the second to fifth year	54	8	54	2
More than five years	<u>-</u>	<u>488</u>	<u>-</u>	<u>460</u>
	<u>54</u>	<u>498</u>	<u>54</u>	<u>469</u>

The Land & Buildings commitment is an operating lease; Juniper Street 2 building.

NML entered into a contractual arrangement with Ener-G Limited for the provision of a Combined Heat and Power ('CHP') plant. The equipment was designed, manufactured, supplied and installed by Ener-G Limited, and NML make quarterly unitary payments for the provision of energy services over the 17 year period of the Agreement. Ener-G Limited has agreed energy savings targets with NML which are designed to be at least the value of the Unitary Payment and the Agreement provides for "service credits" to be granted to NML should the guaranteed savings not be realised. Compensation will also be payable should there be periods of service failure. The Agreement is based on the standard form of PFI contract and the CHP assets came into use in October 2010.

Commitments

Total payments over the remaining period of the contract, assuming an inflation rate of 2.5% are expected to be:

	Within 1 year (£000)	2 nd to 5 th year (£000)	6 th to 10 th year (£000)	11 th to 15 th year (£000)
Payment commitments	488	2,079	2,905	3,287

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

The estimated capital value is £3,646,000 and the contract start and end dates are; 30 June 2009 and 29 June 2026 respectively.

The Museum has performed an analysis of the risks and rewards of the contract and has determined, after obtaining third party professional advice that the equipment should not be accounted for on the Museum's balance sheet.

The supplier of the equipment has made a payment of £605k which will be released against the annual unitary payment due over the duration of the contract, which is 17 years.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

14. Statement of funds	At 1 Apr-11	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-12
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
Designated funds						
Collection purchase fund (Free)	-	-	-	-		-
Collection purchase fund	809	-	-	-		809
UKBA admissions (Free)	83	-	-	-	10	93
Academic publications (Free)	58	49	(16)	-	5	96
Miscellaneous (Free)	70	-	-	-	-	70
TFA - Capital reserve *	70,208	-	(1,072)	(14,257)	-	54,879
TFA - Government grant ITF**	480	-	(10)	(23)	-	447
TFA - Government grant	34,607	1,349	(1,017)	(3,023)	-	31,916
TFA - General capital	6,328	-	(437)	(823)	1,555	6,623
TFA - NMGM ITF	<u>3,113</u>	<u>-</u>	<u>(74)</u>	<u>(65)</u>	<u>-</u>	<u>2,974</u>
Total designated funds	115,756	1,398	(2,626)	(18,191)	1,570	97,907
General funds (Free)	<u>2,895</u>	<u>25,151</u>	<u>(24,739)</u>	<u>-</u>	<u>(1,554)</u>	<u>1,753</u>
Total unrestricted funds	<u>118,651</u>	<u>26,549</u>	<u>(27,365)</u>	<u>(18,191)</u>	<u>16</u>	<u>99,660</u>

* Tangible Fixed Assets ** Into the Future

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 45.

The significant transfer between funds during the year was £1,555,472 from the General Fund to the General Capital Fund (Fixed Asset Additions). Of this £1,335,800 was for the new Museum of Liverpool.

Unrestricted designated funds:

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

Revenue: Unrestricted designated

Within this group are:

Collection purchase fund

for additions to the collections.

UKBA Admissions fund

for the running costs and special projects associated with the UK Border Agency National Museum.

Academic publications fund

for the production of professional material.

Miscellaneous

for minor contributions to revenue and capital projects

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

Tangible fixed asset funds (TFA): Unrestricted

Within this group are:

TFA - Capital reserve

represents fixed assets transferred to NML. This came into being with the transfer of assets, upon the abolition of Merseyside County Council.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

TFA - Government grant

for the purchase and development of fixed assets. The source of this fund is government department grant-in-aid.

TFA - Government grant "Into the Future" (ITF)

a fund with a finite life created to reflect the special grant-in-aid assistance provided by the DCMS to address the clearance of asbestos specific to the *NMGM ITF* project.

TFA - General capital

for the purchase and development of fixed assets. The source of this fund is earned income.

TFA - NMGM ITF

for the purchase and development of fixed assets specific to the *NMGM ITF* project. The source of this fund is transfers from the General fund.

Unrestricted general funds:

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

	At 1 Apr-11	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-12
	£000	£000	£000	£000	£000	£000
Restricted funds						
Collection purchase fund	9,764	292	-	-	(11)	10,045
Development fund revenue	2,229	1,114	(1,040)	-	(290)	2,013
Tomlinson fund	127	26	(3)	-	-	150
TFA - Development fund	23,074	50	(684)	(3,334)	285	19,391
TFA - Tomlinson	1,296	-	(103)	27	-	1,220
TFA - NMGM ITF - Lottery	21,181	-	(632)	(489)	-	20,060
TFA - Lottery	8,308	3,465	(676)	(18)	-	11,079
TFA - ERDF ITF	3,401	-	(74)	(100)	-	3,227
TFA - ERDF	7,648	1,251	(304)	(1,094)	-	7,501
TFA - Development fund ITF	1,599	-	(34)	(29)	-	1,536
TFA - NWDA	<u>39,401</u>	-	<u>(789)</u>	<u>(7,816)</u>	-	<u>30,796</u>
Total restricted funds	<u>118,028</u>	<u>6,198</u>	<u>(4,339)</u>	<u>(12,853)</u>	<u>(16)</u>	<u>107,018</u>

Restricted funds:

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

The significant transfer between funds during the year was £284,714 from the Revenue Development Fund to the Capital Development Fund (Fixed Asset Additions).

Revenue: restricted

Within this group are:

Collection purchase fund

for additions to the collections. The source of this fund is charitable donations and investment income derived from unconsolidated separate trust funds.

Development fund

for the financing of running costs of projects, curatorial activities and the museums and galleries exhibitions programme. The source of the funds is grants and charitable donations.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Tomlinson fund

for the purchase and development of fixed assets for the Merseyside Maritime Museum, World Museum and the Walker Art Gallery in accordance with the legacy of Mrs E M Tomlinson.

Tangible fixed asset funds: Restricted

Within this group are:

TFA - NMGM ITF lottery

for the purchase and development of fixed assets specific to the *NMGM ITF* project. The source of this fund is the Heritage Lottery Fund.

TFA - NMGM ITF ERDF

for the purchase and development of fixed assets specific to the *NMGM ITF* project. The source of this fund is the European Regional Development Fund.

TFA - ERDF

for the purchase and development of fixed assets, specifically the Museum of Liverpool project. The source of this fund is the European Regional Development Fund.

TFA - Development fund / Development fund ITF

for the purchase and development of fixed assets, including the *NMGM ITF* project. The source of this fund is charitable donations.

TFA - NWDA

for the purchase and development of fixed assets, specifically the Museum of Liverpool, International Slavery Museum and the Dock Traffic Office. The source of this fund is the Northwest Regional Development Agency.

TFA - Lottery

for the purchase and development of fixed assets, specifically the Museum of Liverpool project. The source of this fund is the Heritage Lottery Fund.

TFA - Tomlinson fund

for the purchase and development of fixed assets for the Merseyside Maritime Museum, World Museum and the Walker Art Gallery in accordance with the legacy of Mrs E M Tomlinson.

The respective revaluation reserves can be found within the individual Fixed Asset (TFA) funds.

15. Analysis of group net assets between funds	Fund balances at 31 March 2012 are represented by:	Unrestricted Funds	Restricted Funds	Total
		£000	£000	£000
	Tangible fixed assets	97,514	104,214	201,728
	Net current assets excluding cash	(815)	791	(24)
	Cash	<u>2,961</u>	<u>2,013</u>	<u>4,974</u>
		<u>99,660</u>	<u>107,018</u>	<u>206,678</u>
	Unrealised gains included above:			
	On tangible fixed assets and investments	<u>(18,191)</u>	<u>(12,853)</u>	<u>(31,044)</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

16. UK Border Agency National Museum

The Trustees of NML act as custodians and Trustees of the collections that constitute the National Collections of the Board of UK Border Agency (UKBA).

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

NML receives from the UKBA annual grant-in-aid payment which allows the National Collection to be displayed and interpreted alongside NML's other national collections. Payments by UKBA in respect of grant-in-aid are made from the UKBA for 2011-12 which is audited and published separately.

Transactions in respect of the museum are shown within the Restricted Income and Expenditure Funds (note 14).

With effect from 1 April 2010 the UKBA took on responsibility for the financial responsibilities and ownership of the existing collections within the museum.

The formal name of the museum is "UK Border Agency National Museum" and the visitor name "Seized! Revenue and Customs Uncovered"

Capital grants

The development of the permanent gallery and associated facilities has taken place over the years with the assistance of capital grants from Her Majesty's Revenue and Customs (HMRC). These grants are held within restricted funds and are applied as authorised expenditure is made.

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

	£000
Application of funds	
Total funds received as at April 2011	1,469
Funds received in year	-
Virement from Revenue Grant	-
Total funds received as at 31 March 2012	<u>1,469</u>
Fun	(1,469)
Fun	<u>-</u>
Fun	<u>(1,469)</u>
Una	<u>-</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Running Cost Grant-in-Aid	£000
The funding position for 2011-12 is as follows:	
Application of funds	
Unapplied funds as at 1 April 2011	58
2011-12 Grant-in-Aid	304
	<hr/>
Total Available Grant-in-Aid funds	<u>362</u>
Funds applied to the running of the Museum	<u>306</u>
Unapplied funds as at 31 March 2012	<u>56</u>

17. Gower St Estates Ltd.

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

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

The company is managed by a Board of Directors all of whom are appointed by the members. NML's nominated director is Rachel Mulhearn from 28/01/2010. Directors of the company are not remunerated.

There are no employees of the company, the practical management of the estate being delegated to CB Richard Ellis (commercial real estate advisors).

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

NML's contribution for the year, under this arrangement, was £96,799.

18. Capital Commitments

NML has two major capital projects. The Museum of Liverpool opened in Summer 2011. Expenditure of £77.5m has been approved for the project. Approximately £76.0m of this budget has been spent and funded to the balance sheet date.

ISM phase 2 represents NML's other main capital commitment. To date £0.510m has been spent against an approved budget of £0.750m.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

19. Cash flow information

Reconciliation of net incoming resources to net cash inflow from operating activities

	2012	2011
	£000	£000
Net incoming resources	1,043	7,500
Depreciation	5,940	3,629
Interest received	(52)	(60)
Gifts	(308)	(322)
(Increase) in stocks	(66)	(15)
(Increase) / decrease in debtors	1,934	(1,222)
(Decrease) in creditors	(639)	(40)
Increase in provisions	1,174	30
Net cash inflow from operating activities	<u>9,026</u>	<u>9,500</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period		
Movement in net funds in the period	(684)	786
Net funds at 1 April	<u>5,658</u>	<u>4,872</u>
Net funds at 31 March	<u>4,974</u>	<u>5,658</u>

Analysis of net funds

	01-Apr 2011 £000	Cash Flow £000	31-Mar 2012 £000
Cash	<u>5,658</u>	<u>(684)</u>	<u>4,974</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

20. Related Party Transactions

National Museums Liverpool is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party with which, during the year, NML conducted a number of material transactions.

Additionally NML has conducted material transactions with other Government Departments and other central bodies; specifically the Department of Energy and Climate Change (DECC), Department of Health, Heritage Lottery Fund, National Heritage Memorial Fund, and the UK Border Agency.

Trustees and senior staff took no part in any discussion which concerned organisations or bodies that trustees and senior staff have connections with as reported in the Register of Members Interests.

During the year none of the Trustees or senior staff has undertaken any material connected party transactions apart from those detailed below.

(a) Board members:

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
LJMU	Prof Phil Redmond, CBE is a trustee and chair of the International Centre for Digital Content	Visual Voyages Research Project Personnel & Development LBS 2011		3 3		
LJMU	Prof John Ashton Chair in Public Health	Visual Voyages Research Project Personnel & Development LBS 2011		3 3		
National Maritime Museum	Sir Robert Crawford – Trustee	Image supply and Licence Fee		1		
FACT	Alexis Redmond Patron of FACT	Payment for FACT work		1		
LJMU	Alexis Redmond Trustee	Visual Voyages Research Project Personnel & Development LBS 2011		3 3		
Merseytravel	Neil Scales OBE Director	Season tickets		32	1	
The Mersey Partnership	Neil Scales OBE Director	Yearly Membership Research Visitor Profiling Advert in Events Guide		4 8 18 1	6	

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

		Visit Liverpool Exhibition stand		1		
		Age of Dinosaur Evaluation		2	2	
		Economic Impact Study		2	2	
LJMU	Deborah Shackleton Governor and Chair of Audit	Visual Voyages Research Project		3		
		Personnel & Development LBS 2011		3		

(b) Staff:

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
University of Bournemouth	David Fleming External Examiner	Laptop for Deng student – D Gillespie	1			
European Museum Forum	David Fleming Director	Employment costs for administrator to April to August 11	10			10
		Employment costs for administrator to Sep 11 to Mar 12	9			9
		EMF accrual from TBs 11-12 & 10-11 – non-staff	6			6
Mersey Partnership - (Transferred to Liverpool City Region, Local Enterprise Partnership)	David Fleming Committee Member	Yearly Membership		4		
		Research		8		
		Visitor Profiling		18		
		Advert in Events Guide		1		
		Visit Liverpool Exhibition stand		1		
Local Enterprise Partnership	Member of Visitor Economy Committee	Visitor Profiling		6	6	
		Age of Dinosaur Evaluation		2	2	
		Economic Impact Study		2	2	
Museums Association			3			
Museum Identity Ltd			1			
Hope St Hotel			8			

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

21. Contingent Liabilities

NML are currently in discussions with HM Revenue & Customs regarding a potential VAT liability. This relates to Section 33A of the 1994 VAT Act and NML's ability to reclaim or rebate input tax. NML have taken professional advice, however the outcome will not be known for several weeks.

As part of the finalisation of a major capital project, NML has a contingent liability in respect of legal proceedings associated with the design and build phases of the new Museum of Liverpool.

22. Post Balance Sheet Events

With reference to the provision for the voluntary severance constructive obligation existing at 31 March 2012 and shown in note 12, there are 53 Museum staff who have taken up the early exit offer.

The financial statements were authorised for issue by the Accounting Officer and the Board of Trustees on the date shown on the Audit Certificate.

23. Connected Charities

Nine charitable trusts are connected to NML via a commonality of trusteeship and a close association of charitable purpose. The earliest of the trusts was created in 1873 and each one came into existence before NML was formed in 1986. The trusts have a distinct legal identity.

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

The Financial Statements of the satellite trusts do not form part of these accounts.

A separate fund; the Tomlinson Fund is managed by Rathbone Investment Management. This legacy forms part of the Museum restricted account and, the results and net assets of the fund are summarised on the next page.

NML will monitor the status of the American Friends of the National Museums Liverpool (AFNML) and the affect it may have on the Museum's accounts in future years. Currently the AFNML account is not consolidated on the grounds that it is not controlled by NML, in addition the transactions are not material.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

Tomlinson Fund				
Statement of Financial Activities	Income	Capital	Total 2012	Total 2011
	£000	£000	£000	£000
Incoming Resources:				
Investment income	26	-	26	29
Resources expended:				
Governance costs	-	-	-	-
Charitable Activities	-	(3)	(3)	(3)
Depreciation	-	(103)	(103)	(100)
Net incoming / (Outgoing) resources	26	(106)	(80)	(74)
Gains and losses on sale proceeds	-	4	4	17
Gains and losses on revaluation	-	27	27	32
Net Movement in Funds	26	(75)	(49)	(25)
Fund Balances at 1 April	133	1,290	1,423	1,448
Fund Balances at 31 March	159	1,215	1,374	1,423

The Trustees have expended £1,111,432 in respect of the distribution of capital and income to NML, this consisted of:

	£
Egypt Gallery (WM)	266,583
Temp Exhibition Refurb (WM)	93,489
International Slavery Museum (MMM)	603,121
Room 11 Walker Art Gallery	6,951
Ancient Greece (WM)	7,263
Room 11 Walker Art Gallery	134,025
	1,111,432

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2012

24. Investments

Year ended 31 March 2012

Summary	£000s
Carrying value (market value) at beginning of year	649
Add:	
Additions to investments at cost	36
Less:	
Disposals at carrying value	(179)
Add:	
Net Gain on sales and revaluation	<u>30</u>
Carrying value (market value) at end of year	<u>536</u>

The above are all listed on the UK stock exchange.

The investments have been treated as current assets as they are not to be held long term, and the intention is to realise the asset without reinvestment of the sale proceeds.

25. Special payments and losses

NML made payments and incurred losses during the year in respect of commercial settlements and compromise agreements, some of which are classed as a special payment under Managing Public Money guidance. Where appropriate, special payments have been disclosed within the Remuneration Report. Where required, approval was obtained from the DCMS and/or HM Treasury.

The total value of special payments amounted to £491,053 (number of transactions 9).

As part of a process to outsource certain aspect of security a payment of £161,751 was made to buy out the contractual shift allowance for employees who were previously carrying out these duties; and

A settlement of £200,000 was made relating to a legal dispute with a contractor associated with the Museum of Liverpool capital project.

There were no reportable losses suffered during the year.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call: 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Houses of Parliament Shop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders: 020 7219 3890/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: shop@parliament.uk

Internet: <http://www.shop.parliament.uk>

TSO@Blackwell and other accredited agents

ISBN 978-0-10-298079-0



9 780102 980790