

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

## National Museums and Galleries on Merseyside Annual Report and Accounts 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 13 DECEMBER 2007

LONDON: The Stationery Office

HC146

£12.85

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**Annual Report**  
**Legal and Administrative Information**

**Name of the  
Charity**

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

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

**Governing  
instrument and  
constitution of  
NML.**

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

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

**Trustees**

The Board of Trustees during the year comprised:

Loyd Grossman OBE, Chairman  
Professor Drummond Bone (stepped down during July 2006)  
Sir Neil Cossons OBE  
Jonathan Falkingham (appointed 22 May 2006)  
Bryan Gray MBE  
Professor Chris Green  
Norman A Kurland (appointed 20 December 2006)  
Professor Margaret MacKeith CBE  
Professor Sarah Palmer  
Alexis Redmond  
Gillian Reynolds MBE  
Lorraine Rogers  
Anil Ruia OBE JP (appointed 24 April 2006)  
Professor John Tarn OBE (term expired 30 June 2006)  
Eva Wisemark  
Brian Wong

The Board of Trustees records its utmost thanks and appreciation for their valuable services to Professor Drummond Bone and Professor John Tarn OBE who have now retired from the Board. The Board would also like to welcome new appointee Norman A Kurland who was appointed on 20 December 2006 along with Anil Ruia and Jonathan Falkingham who joined the Board early in the reporting year 2006/07.

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<b>Trustee Committees</b>	<p>The following Trustee committees met during the year: -          Audit Committee, Chair – Professor Margaret MacKeith CBE          Capital Programme Committee, Chair - Professor John Tarn OBE then Jonathan Falkingham          Development &amp; Communications Committee, Chair - Gillian Reynolds MBE          Development Trust, Chair – Gillian Reynolds MBE          Finance Committee, Chair – Alexis Redmond          Human Resources Committee, Chair – Eva Wisemark          Public Services Committee, Chair – Sir Neil Cossons OBE          Remuneration Committee, Chair – Loyd Grossman</p>		
<b>Register of Interests</b>	<p>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.</p>		
<b>Open Government</b>	<p>NML complied with the requirements of the <i>Freedom of Information Act 2000</i>. NML's publication scheme can be found at <a href="http://www.liverpoolmuseums.org.uk/about/foia/ps_museuminfo.asp">www.liverpoolmuseums.org.uk/about/foia/ps_museuminfo.asp</a>.</p> <p>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).</p>		
<b>Principal Office of NML</b>	<p>World Museum Liverpool (formerly Liverpool Museum)          William Brown Street          Liverpool          L3 8EN</p>		
<b>Bankers</b>	<p>National Westminster Bank Plc          PO Box 138          22 Castle Street          Liverpool          L69 2BE</p>		
<b>Auditors</b>	<p><b>Consolidated Account</b>          The Comptroller and Auditor General          National Audit Office          157-197 Buckingham Palace Road          London          SW1W 9SP</p>		<p><b>Trading Company</b>          MacFarlane &amp; Co          Cunard Building          Water Street          Liverpool          L3 1DS</p>
<b>Solicitors</b>	<p>Halliwells          100 Old Hall Street          Liverpool          L3 9TD          (merged with Cuff Roberts)</p>	<p>Mace and Jones          19 Water Street          Liverpool          L2 0RP          - For employment law</p>	<p>E Rex Makin &amp; Co          Whitechapel          Liverpool          L1 1HQ          - For compensation claims</p>

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#### **Friends**

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

In the last year the Friends gave £17,500 towards securing acquisitions for a number of venues and also pledged £65,000 towards the Museum of Liverpool.

Formed as an independent charitable organisation, the Friends give their time as well as financial support, assisting visitors at the Walker Art Gallery and World Museum Liverpool and undertaking archival work at the Lady Lever Art Gallery, with a particular interest in providing support at the Merseyside Maritime Museum.

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

## **Operating and Financial Review**

### **Operating Review**

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

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

NML: -

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

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

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

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

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

The Director and Accounting Officer, National Museums Liverpool (David Fleming);

The Director of Development and Communications (Amy de Joia);

The Director of Finance (Keith Pennington);

The Director of the Museum of Liverpool Project (Sharon Granville);

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The Assistant Director of Public Services - Collections Management (John Millard) and;  
The Assistant Director of Public Services -Visitor Management (Carol Rogers).

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

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

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

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

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

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

**Management of human capital**

NML places great importance upon the development of the potential within all staff and constantly seeks to enhance the skills and competencies the organisation needs to be successful. There has been continued significant investment in Management Development with some 227 managers having completed the programme by the end of June 2007.

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

In 2006/07 a total of 80 appointments were made and of these: -

- 58% were women;
- 1% were disabled people; and
- 14% were non-white British.

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

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

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

NML formally recognises two trade unions: Prospect and the Public and



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<b>NML</b>	<p>Commercial Services Union.</p> <p>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.</p> <p>The decisions of the Executive Team and specific working groups are communicated via an agreed briefing process.</p>
<b>Disabled Persons</b>	<p>NML and its subsidiary trading company continued to apply established policies toward the employment, training and development of disabled persons. Staff are actively encouraged to become involved in the assessment of policies affecting the employment, training and personal development of people with disabilities, through NML's Diversity Working Group. NML will facilitate an occupational health and workplace assessment to consider any reasonable adjustments necessary to be able to perform the role for both job applicants and existing employees who have a disability.</p> <p>Appropriate training is arranged for people with disabilities, including retraining for employees who become disabled, to promote career development within NML. A Disability Working Group actively reviews the requirements of the Disability Discrimination Act.</p>
<b>Investors in People</b>	<p>NML originally received the prestigious Investors in People award in 1994 and then successfully retained this standard in its subsequent triennial re-assessments, in 1997, 2000, 2003 and May 2006. The standard has provided a framework within which staff are offered the training and development they require and NML's policies and procedures can be constantly reappraised. This award has added to the success, and also raised the profile, of the organisation as a whole. The standard continues to be an important measure of NML's commitment to, and success in, the training and development of its staff.</p>
<b>Staff Resource Strategy</b>	<p>NML determines its staffing requirements and associated skill sets over the medium to longer-term through the Executive Team.</p> <p>NML is aware of the need to maximise efficiency whilst delivering improved performance and is continually assessing the manner in which business is delivered.</p>
<b>Volunteer Programme</b>	<p>Over the year, we have had 331 volunteers, active throughout NML. This is an increase of 25% compared with last year's figure and the equivalent of approximately 40 full time posts.</p> <p>During the year we also hosted 52 formal work placements ranging from students from local schools to international students, building on the partnerships we have developed with a wide range of educational bodies.</p>
<b>Health &amp; Safety Policy</b>	<p>NML is committed to providing a safe and healthy working environment for all our employees, including those of the subsidiary trading company for whom this policy applies equally. So far as is reasonably practicable, systems and procedures will be implemented to ensure that all equipment, plant, substances and premises are safe and free from adverse effects to</p>

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health. It is a key objective of this policy to ensure that employees, the public and others affected by our activities are exposed to the lowest reasonable level of risk.

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

**Performance**

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

**Collections**

Most of our work on collections focused on NML's programmes of loans and capital schemes. Work on thousands of objects supported *Reveal* in the National Conservation Centre which opened on 16 June 2006, and preparations for new displays in NML's other museums – period rooms at Sudley House, a display about Lord Leverhulme at Lady Lever Art Gallery, a new gallery for HM Revenue & Customs in the Merseyside Maritime Museum, and a new Egypt gallery at World Museum Liverpool, and, the largest scheme, a new Museum of Liverpool.

During the year new groups were set up to bring more strategic planning to collections management. Staff groups focused on planning of resources and storage. A group led by Trustees looked at collections research, following an independent expert's report on NML's research in January 2006.

Partnership collections projects included a series of workshops led by NML and the University of Liverpool under the title *Researching Together*; a programme to research and catalogue Chinese ceramics at the Lady Lever Art Gallery with Glasgow University; a new Centre for the Study of International Slavery with University of Liverpool; and the completion of a two-year solitary bee and wasp biodiversity audit for the Countryside Council for Wales.

NML's horology collections stored at Prescot Museum under an agreement with Knowsley Council were due to be removed by March 2007. In November 2006 NML's Trustees agreed to extend the agreement to September 2007 in order that the collections could be removed in a safe and orderly manner.

Following the implementation of the Human Tissues Act, NML's Board of Trustees agreed on 13 June 2006 to return the remains of five individuals requested by Te Papa Tongarewa Museum of New Zealand. In January 2006 we received an application from the Australian Government for the return of three items of human remains in NML's collections. We submitted an application for a licence to the new Human Tissue Authority to hold human tissue in the collection in August 2006, and we worked on a series of policies and guidelines for the handling, display and sampling of human remains.

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**Acquisitions**

Activity during the year reflected the wide range of collections held by NML and included the following:-

A large fossil palm frond that had been discovered in a quarry in Wyoming USA. This amazing specimen dates from the early Eocene period, over 50 million years ago;

Entomology volunteer, Mike Taylor, donated two specimens of a robber fly that he found on the Greek island of Chios and which are currently being described as a new species to science. Zoology was presented with the diary of Thomas Moore, who was the first Director of the Liverpool Museum. The diary dates to the time when he was employed at the aviaries and menagerie of the 13<sup>th</sup> Earl of Derby, at Knowsley Hall, near Prescott. Many of the birds and other animals Moore looked after were added to Lord Derby's museum after their deaths and they formed part of the Foundation Collection of National Museums Liverpool, when Moore was transferred with these collections as Curator to the Corporation of Liverpool in 1851. The diary was donated to NML by a descendant of Thomas Moore;

The Ethnology department continued to develop international partnerships with significant additions to its contemporary collections. March 2006, saw the acquisition of a rare commission from the renowned Indian sculptor, Sonabai Rajawar. Rajawar is an innovative sculptor, who has been decorating her home with *gober mitti* or dung mud work for many years. Her designs include dancing women, animals from the farmlands and the forest, and heroes and gods from the Hindu epics;

Works by another prominent female artist joined the ethnology collections at the end of the year, when we purchased a unique piece by textile artist Dorothy Grant. Grant's *Raven Creation Robe* and matching hat takes its influence from the art of the Northwest Coast of the Americas. The robe's hand cut design was created by famous Haida artist Robert Davidson. This purchase is one of a series of acquisitions from First Nations Peoples in the Northwest Coast of the Americas, and strengthens our commitment to developing collaborative projects in this region;

In November, Antiquities department was successful in securing funding from the Heritage Lottery Fund and the Friends of NML towards the purchase an exceptional Anglo-Saxon square-headed brooch dated to the sixth century, which will significantly add to our holdings in this area. The brooch is made of copper alloy and retains much of its original gilding. It is larger than many similar brooches of the period and the front is decorated with animal ornament and three-dimensional stylized masks. The brooch was subject to a deferral of export by the Culture Minister, David Lammy, which gave NML the opportunity to raise funds to match a bid made by a foreign buyer. HLF also provided additional funding for NML to incorporate the brooch into a specific learning session on Invaders, as part of the acquisition;

Of note among Maritime History's acquisitions are three rare items connected with significant vessels in shipping history. We were pleased to purchase an ivory handled bowie knife with a silver scabbard inscribed with the name of Captain 'Bully' Forbes, of the record-breaking ship, *Marco*

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*Polo*. Over one million Australians are thought to be descended from emigrants who travelled from Liverpool on the *Marco Polo*. Purchased at auctions were a rare glass tumbler, produced in c.1914 to commemorate the sinking of the *Empress of Ireland* in 1914, when 1021 people lost their lives and a silver presentation snuff box, commemorating the first, non-stop steamship crossing of the North Atlantic in 1838 by *PS Sirius*;

Maritime Archives continued to add to its growing collection of materials relating to the slave trade with the acquisition of a set of financial documents dating from 1734 – 1736. These documents provide an insight into the running of a plantation in Jamaica and the people who worked there. Maritime Archives also acquired an 18<sup>th</sup> century log from the ship, *Flora*, under Captain William Manson, sailing from Liverpool to Newfoundland and Madeira, which provides good evidence of Liverpool's earlier international links;

The Fine Art department added to its holdings of 18<sup>th</sup> century paintings, with the acquisition of *A Man of War in a Harbour* by Richard Wright of Liverpool. This is an important 18<sup>th</sup> century marine painting by a Liverpool artist and we are grateful to the Friends of NML for their contribution towards its purchase;

At the close of the Walker's John Moores Exhibition, we were able to purchase the winning entry, *Before Vermeer's Clouds* by Martin Greenland. This acquisition was made possible with financial assistance from Lady Grantchester, who also supported the show through the John Moores Liverpool Exhibition Trust;

Among its many acquisitions, the Social History department committed to purchasing a model of Blackpool Tower made out of Meccano and continued to add to its growing body of material related to the Liverpool music scene, with the acquisition of a jacket worn by Pete Best, various Beatles memorabilia and some Billy Fury posters. We were delighted when a long term loan was converted into a gift when we were presented with a traditional Punch and Judy Theatre Booth and puppets by well known Liverpool puppeteer, Professor Codman;

Field Archaeology, with its new responsibility for the regional archaeology collections, received a grant from the Heritage Lottery Fund to purchase the Huxley Hoard of Viking silver. Buried between AD 900-910, the hoard consists of 21 silver arm-rings and an ingot, in Irish Norse style. The find has a strong connection to the turbulent period of settlement in North West England of Norse expelled from Ireland in AD902. The hoard, found in 2004 at Huxley, near Chester, was declared Treasure under the Treasure Act and has been acquired jointly with the Grosvenor Museum, Chester and Cheshire Museums Service in an innovative partnership, which means that all three museums will share the ownership and display of the hoard.

**Loans**

Loans continue to be a major activity and we were delighted to support research, exhibitions and displays both in the UK and as far abroad as Russia. Loans from the collections ranged from the less obvious, a group of mounted animals to the *John Armleder* show at Tate Liverpool to the loan of a Picasso drawing to the new Institute of Modern Art at Middlesborough.

Loans from Art Galleries encompass world famous pictures to international touring exhibitions, such as *Echo and Narcissus* by Waterhouse to the *Walt*

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*Disney* exhibition in Paris and Montreal, and lesser items to small shows at enterprising local galleries, such as Paul Sandby's watercolour of *Conway Castle*, lent to Wrexham County Borough Museum for an exhibition about Sandby's tour of North Wales.

The Walker was also represented at major London venues at the three most important exhibitions of the autumn 2006 season. David Hockney's painting, *Peter getting out of Nick's Pool*, was shown at the National Portrait Gallery in the show, *Hockney Portraits*, which had previously toured to two venues in the US. The full-size portrait of *Henry VIII* by the Holbein studio, went to Tate Britain for the show, *Holbein in Britain* and two Rodin sculptures were lent to the big *Rodin* show at the Royal Academy, London and then subsequently travelled to Zurich. While, Whistler's etching, *The Velvet Dress*, braved the winter weather when it travelled to the State Tretyakov Gallery, Moscow as part of the British Council's show, *Whistler and Russia*.

In addition to loans to single-artist shows, we also lent *A Select Committee* by Henry Stacy Marks to an unusual exhibition on the theme of *Parrots in Art* at the Barber Institute, Birmingham and *Sibylla Palmifera* by Dante Gabriel Rossetti from the Lady Lever to the exhibition, *Symbolism* at the Palazzo dei Diamanti, Ferrara.

Loans from the natural history collections continued to support research at home and abroad, but specimens were also borrowed for inclusion in some unusual displays. 6 mounted zoology specimens, including a crocodile and reindeer were borrowed by Tate Liverpool for inclusion in the *John Armleder* installation of a chaotic Santa's grotto, using a variety of objects that are not normally associated with Christmas, while a collection of botanical plant models were lent to the A Foundation, Liverpool for inclusion in an installation piece by Polish artist Goshka Macuga as part of the Liverpool Biennial programme.

Botany collections were also lent to Warrington Museum and Art Gallery for inclusion in their exhibition, *A Natural Curiosity*, which was a collaborative project with the Natural History Museum, London.

Ethnology loans included a bark painting depicting 3 snakes to the touring exhibition *Art at the Rockface*, shown at Norwich and Sheffield; 40 items from the Japanese collections to the Grosvenor Museum for their exhibition, *Tokaido Road*, and a group of Tibetan material to the Metropolitan Museum, New York for inclusion in the exhibition *Traditional Arms from the Tibetan Plateau*.

Among other loans, Antiquities department supported the Salt Museum, Cheshire with the loan of a group of Viking and Saxon material for inclusion in their exhibition, *Shedding Light on the Dark Ages* and the Yorkshire Museum with the loan of 2 ivories for the exhibition, *Constantine – Emperor on the move*.

Social History lent a group of material relating to the Beatles to Prescott Museum for their show, *My Generation, memories of the 1960's* and a lobster salad bowl with servers to *Silver City: James Dixon & Sons 1806-2006* at the Millennium Galleries, Sheffield.

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Museum of Liverpool on the Road kicked off with the loan of a plaster cast bust of local poet Brian Patten at the new Andrew Collinge salon in Castle Street, Liverpool. Other Museum of Liverpool on the Road loans are of the Liver Bird Finial to BBC Radio Merseyside, the Burrell steam traction engine to Croxteth Hall and Country Park, Liverpool and a Rushton Velocipede Bicycle to the Radisson SAS Hotel.

Field Archaeology lent Iron Age and Roman material from the regional archaeology collections to NML's touring exhibition, Living with the Romans, which opened at Birkenhead Museum in January.

Maritime loans included 6 items from the Maritime History and Maritime Archives to the Fleetwood Museum, which was the final venue of the touring exhibition, *Life at Sea*, which had been shown at 6 other venues within the UK and a shipboard newspaper from the Great Eastern was lent to the SS Great Britain for an exhibition about Isambard Kingdom Brunel.

**Exhibitions**

We have continued to build on the success of previous years with a diverse programme of exhibitions. This year we have generated more of our own exhibitions than ever before, some designed specifically for younger visitors and family audiences. To celebrate the Year of Heritage our programmes have had a strong Liverpool focus. Several exhibitions resulted from very fruitful partnerships with organisations in both the public and private sector.

Exhibitions and activities during the year included:

*Eye for Colour*: NML's first interactive award-winning touring exhibition proved to be a great success attracting more than 317,000 visitors to World Museum over 6 months. The exhibition explored the science of colour, colour in nature and colour in our everyday lives. The exhibition was produced on behalf of eTEC (the ebsite-uk travelling exhibitions consortium of which NML is a founder member) and was funded by the Millennium Commission through a ReDiscover grant.

*Romauld Hazoumé: ARTicle 14*: on tour from the October Galleries in London, this contemporary art installation brought a new dimension to the displays at World Museum, complementing the historic African collections, while raising awareness about current global issues.

*Love Sport*: this touring exhibition from At-Bristol (produced on behalf of the eTEC consortium) proved to be very popular with all ages and attracted a broad audience. The exhibition challenged visitors to participate in a range of sporting activities.

*Animated Adventures*: this touring exhibition from W5 (produced on behalf of the eTEC consortium) continues to delight and intrigue visitors at World Museum as it explores the world of animation with sets and scenes from Wallace and Gromit.

*Big Art for Little Artists*: this new award-winning art gallery for children, designed to inspire younger visitors and stimulate creativity through a series of activities linked to NML's art collections has attracted a new family audience to the Walker.

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*George Stubbs: A Celebration* was produced in partnership with Tate Britain and featured works by Liverpool's greatest artist and the nation's best sporting artist.

*A Passion for Fashion - A Liverpool Lady's Wardrobe*: the first-ever major costume exhibition featuring the collection of a Liverpool doctor's wife bought extensively from Liverpool shops and dressmakers during the 1920s and 30s acted as major draw for visitors and proved to be one of the most popular exhibitions we have ever staged at the Walker.

*John Moores 24*: designed to encourage a new generation of young artists the painting competition and exhibition attracted record entries and was a major strand of the Liverpool Biennial.

*Insyde by Airside*: an experimental interactive video installation set in a magical woodland glade with futuristic animals was developed by Fred Deakin and Nick Franglen from the band Lemon Jelly for the Walker.

*The Cathedral that Never Was – Lutyens' design for Liverpool Cathedral*: following a programme of major restoration supported by the Heritage Lottery Fund we were able to open the Year of Heritage with a display featuring the stunning model of Lutyens' design for Liverpool Cathedral.

*Doves and Dreams – The Art of Frances Macdonald and J Herbert McNair*: in collaboration with the Hunterian Museum and Art Gallery, Glasgow we hosted the first ever major exhibition devoted to the art of Frances and Herbert McNair at the Walker Art Gallery, exploring their life and work in Glasgow and Liverpool.

*Pre-Raphaelite Drawings* – drawn from our collections this exhibition which included works by leading artists such as Rossetti and Burne-Jones received excellent press reviews and attracted large audiences to the Lady Lever Art Gallery

*Norman Parkinson Portraits in Fashion*: on loan from the National Portrait Gallery in London, this exhibition featured the work of one of the most famous fashion photographers and complemented the costume exhibition at the Walker Art Gallery.

*Objects of Desire*: this was our first selling exhibition at the Lady Lever Art Gallery. Delivered in collaboration with the Bluecoat Display Centre, it featured the work of contemporary artists from the North of England.

*Merchant Palaces*: organised in collaboration with English Heritage and the National Monuments Record, this photographic exhibition at the Lady Lever featured the lost interiors of merchant houses in Liverpool and Wirral.

*100% Cotton*: with generous support from members of the International Cotton Association, this family exhibition at the Maritime Museum told the story of Liverpool and its changing role in the worldwide cotton industry.

*Shipwrecked*: aimed at younger visitors this interactive exhibition taught children to survive and escape from a desert island. It proved particularly popular with family groups and attracted new visitors to the Maritime Museum.

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*Titanic, Lusitania and Mauretania:* this newly refurbished permanent gallery at the Maritime Museum tells the story of three of the most famous and most tragic ships in history.

*Hello Sailor! Gay Life on the Ocean Wave:* designed as a touring exhibition and launched at the Maritime Museum, we take a sensitive look at life on board passenger and merchant ships from the 1950s to 1980s, a time when homosexuality was illegal and for gay men there were few places to be safe.

*Street Life in Fashion:* in collaboration with the Liverpool Culture Company we launched an exhibition of work by North West photographers commissioned to portray the unique 'look' of Liverpool fashion in our newly refurbished special exhibition suite at the Conservation Centre.

*Cape Farewell – the Art of Climate Change:* together with John Moores University we hosted the thought-provoking exhibition Cape Farewell: Art and Climate Change as part of the Liverpool Biennial at the National Conservation Centre

*The Long Way Home – Bernard Fallon's Liverpool Images:* an atmospheric and moving portrayal of scenes from the 1960s and 1970s were featured in this photographic exhibition by Liverpool born artist and painter, Bernard Fallon, who now lives and works in Los Angeles.

**Learning and Outreach**

Learning is central to all we do at National Museums Liverpool and this year we have reached more people than ever before. Our lifelong learning programmes, resources and off-site activities have resulted in NML reporting record learning figures to DCMS.

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

- Our Learning Communication Network, which is used to inform the development of our learning offer, continues to grow. This year we have focused on developing our KS3 offer by working in partnership with schools across Liverpool.
- *Big Art for Little Artists* at the Walker Art Gallery was a fantastic success attracting over 150,000 visitors. Additionally the visitor profile to the Walker has changed with C2DE groups accounting for 35% of all total visitors in comparison to just 18% last year.
- A new comprehensive learning programme is currently in development to complement the new International Slavery Museum which is due to open on 23 August 2007. The programme has been designed for formal education providers, communities and the general public with learning objectives focused on the key themes of



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the gallery.

- An international school twinning project called 'Make the Link – Break the Chain' was launched in September linking schools in Liverpool with schools in Haiti, Senegal, Sierra Leone and Brazil. The children are using an internet based on-line communication system to discuss the history and legacy of the transatlantic slave trade. A total of nine lesson plans have been developed to help focus the children's work.
- A new school and informal learning offer was launched in July at the National Conservation Centre to coincide with the opening of the new Reveal Gallery.
- A small team of learning staff have been pulled together to develop formal and informal learning programmes for Sudley House and representatives from the learning division have contributed to the development of the interpretive strategy.
- Liverpool Slavery Remembrance Day took place on 23 August with the highest visitor attendance to date at both the memorial lecture and main event. A Memorial lecture was delivered by Ekow Eshun and an interfaith Service was held at St Nicholas Parish Church. Evenys in Otterspool included a libation ceremony, cultural food feast and a community performance event commemorating the UNESCO date marking the uprising of enslaved people.
- Two members of the Learning Division travelled to the Ho Chi Min Museum, Hanoi, Vietnam as part of ASEMUS's exchange programme to improve learning programmes and forge links with Asia.
- The Stealing History debate organised for Black History Month was a great success. The debate explored the reparation of African objects and included guest speakers from the British Museum, Sheffield University and the University of Liverpool.
- A Youth Theatre was launched in October at the Treasure House Theatre in World Museum Liverpool. Events run every Saturday during term times.
- A Youth Advisory Panel was also launched in October. The advisory panel has been established to advise NML on the needs and expectations of a representative body of young people. The group also make recommendations on marketing, programming, exhibition content and audience development for a teenage market.
- Festival 50, an over fifties event in partnership with Age Concern, was hosted at World Museum Liverpool to great acclaim.
- A Children's Festival was hosted at World Museum Liverpool in August and over 2000 young people took part in activities. This was a partnership event with the Greenhouse Project, Capital of Culture and City Libraries.

**National Museums & Galleries on Merseyside**  
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- Eid celebrations were held in January. This involved the organisation of a cultural awareness event in partnership with Liverpool Arabic Centre. This helped double the numbers of diverse communities accessing World Museum Liverpool during this event.
- The Moving Here website was launched in February. This involved working with local Somali, Chinese and Yemeni communities to gather oral histories to form Phase 2 of the national Moving Here initiative.
- As part of the Engaging Refugees and Asylum Seekers project a community arts projects was launched. This included a travelling art exhibition with the national partners and working with curators at WML to re-interpret text panels and key objects in the World Cultures Gallery.

**Strategic Partnerships**

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

- In 2006/07 Museum Partnerships supported the free touring of Treasures from Sudley House to regional galleries (Williamson Art Gallery in Birkenhead and Judges Lodgings at Lancaster). Living with the Romans also toured to regional venues. (Wirral Museum, Warrington Museum and Art Gallery). Museum Partnerships and Exhibitions recognise this as an important move and a long term strategy for making national collections accessible in the region.
- This year saw the completion of the 5 films by Liverpool schools for the Youth & Migration project initiated by the Norwegian Emigration Centre in Stavanger, non-EU Capital of Culture in 2008. The films were jointly funded by NML and the Liverpool Culture Company and will be shown regularly in the 1<sup>st</sup> floor gallery of the MMM as well as being used for 800 Lives project of the Museum of Liverpool. The Norwegian Migration Centre is co-ordinating a web-learning resource on the theme of migration in Europe. The developed material from all participant schools will also be part of touring exhibition on the theme of migration launched in Stavanger in 2008 while young people will also invited to Norway to explore their diverse experiences and cultures.
- **Engaging Refugees and Asylum Seekers.** The *Engaging Refugees and Asylum Seekers* project supported refugee artists to work with young refugees to create a sculpture piece expressing freedom. Refugee week also saw the launch of community art work redesigning the text panels in WML World Cultures gallery. The project has also created learning resources for ESOL students, and developed family learning activities to encourage social interaction and engagement.

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

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

Since 2003 the project has engaged with 21,520 participants and developed over 600 activities – both outreach and in-reach. A range of resources have been produced including ESOL teaching materials, films, handling collections, multi-lingual literature and museum guides.

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

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

Key outcomes of this initiative include:

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

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

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

- We have worked closely with the University of Liverpool for the Arts Humanities Research Council funded workshops 'Researching Together,' aiming to explore issues around research and public output collaborations and to identify ways forward. A number of collaborations are now active (18<sup>th</sup> century World's Research Centre - Research Institute for International Slavery, as part of our International Slavery Museum; Popular Musicscapes and the characterisation of the urban environment project partnership between the Institute of Popular Music, University of Liverpool and NML's Exhibitions Museum of Liverpool teams for the 'Feel the Beat' interactive). NML is benefiting from the University's academic expertise and networks for exhibition content, international conferences and public engagement. There is also substantial evidence that the University is bringing additional financial resources to projects, either external or internally committed.
- Merseyside Maritime Museum was an active partner in the Lesbian,

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Gay, Bisexual, Transsexual Heritage Subject Specialist Network group. The group had received an exploratory grant by MLA to discuss issues of mapping, researching and interpreting collections. The group had substantial representation from community and voluntary groups such as Birmingham Pride trust as well as Edinburgh City Council Museum Service, London Metropolitan Archives, Rukus Archive project). The group was unsuccessful in securing an implementation grant from MLA for the continuation of its work.

- Museum Partnerships has supported the visit of two members of the Learning Division to Hoi Chi Minh Museum, as part of the ASEMUS exchange in November 2006. The Vietnamese museum professionals have visited NML in May 2007 and will be assisted by members of the learning team for the development of a discovery centre in their museum.

**Fundraising**

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

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

- the Garfield Weston Foundation for the Waterfront Developments – the largest single gift ever to NML from a trust;
- the estate of the late Mrs E M Tomlinson towards the International Slavery Museum;
- the DCMS/Wolfson Foundation Museums and Galleries Improvement Fund towards the refurbishment of the Egyptian Gallery at World Museum Liverpool;
- the Baring Foundation for NML's ongoing project *Engaging Refugees and Asylum Seekers*;
- the Liverpool Culture Company towards a package of major exhibitions in 2007 and 2008;
- the University of Liverpool for major sponsorship towards an art commission by Ben Johnson which has also received support from several Liverpool businesses; and
- significant individual gifts from the Chairman of the trustees and members of the Development Funding Committee - Loyd Grossman, Norman Kurland and John Bodie plus other individuals towards the International Slavery Museum.

Many other charitable trusts and foundations gave smaller donations.

We continued to attract generous support from local businesses and worked hard to extend our relationship with the business community. Thirteen companies were members of NML's corporate members scheme,

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Business2008 – Brabners Chaffe Street LLP, Cains Brewery, David M Robinson Ltd, DLA Piper UK LLP, Ethel Austin Properties Group, Finch Advertising, Hill Dickinson LLP, Liverpool Vision, Northwest Regional Development Agency, Rathbones, The Mawdsley Consultant Limited, the Mersey Docks & Harbour Company and the University of Liverpool. The University of Liverpool has also pledged to sponsor the exhibition for the Portrait of Liverpool by Ben Johnson in 2008. The Liverpool Culture Company pledged sums to three exhibitions: The Magical History Tour, Art in the Age of Steam and The Beat Goes On. Ethel Austin Properties Group and Barbara A McVey confirmed their support towards the Portrait of Liverpool commission.

Support from individuals and groups continued with gifts from the Friends of National Museums Liverpool who continued their ongoing support with smaller donations to other projects either as a society or on an individual basis.

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

**Development  
Funding  
Committee**

The fundraising activities of NML continued to receive valuable support from members of the Development Funding Committee. Loyd Grossman took over from Gillian Reynolds as Chairman.

The membership of the Committee for 2006/07 was:

His Grace The Duke of Westminster KG OBE TD DL - Patron  
Loyd Grossman OBE FSA  
Neil Ashbridge (Vice Chairman, Liverpool based) co-opted  
John Bodie, OBE (Vice Chairman, London based) co-opted  
Sir Jack Baer co-opted  
Marilyn Caron-Delion co-opted  
Paige deShong Earlam co-opted  
The Rt Hon Baroness Hooper CMG co-opted  
Norman A Kurland co-opted  
Mark McNamee co-opted  
Julian Rathbone co-opted  
Lorraine Rogers\*\*  
Niall Hobhouse co-opted

\*\* stepped down during 2006/07

A sub-committee of the main Committee was established during the year to assist with fundraising for the International Slavery Museum.

**Development  
Funding  
Committee  
continued**

International Slavery Museum Council

Norman Kurland (Chair) co-opted  
Theresa Roberts (Co Chair) co-opted  
Paige Earlam co-opted  
Dorothy Kuya co-opted

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2007**

### **Remuneration Report**

The membership of the Remuneration Committee is comprised of the Chairs of the NML Committees. For the year ending 31 March 2007, these were:-

Board of Trustees – Loyd Grossman OBE (Chair)  
Finance Committee, Chair – Alexis Redmond  
Audit Committee, Chair – Professor Margaret MacKeith CBE  
Capital Programme Committee, Chair – Jonathan Falkingham  
Development & Communications Committee, Chair - Gillian Reynolds MBE  
Human Resources Committee, Chair – Eva Wisemark  
Public Services Committee, Chair – Sir Neil Cossons OBE

The role of the remuneration committee is:

- to determine the pay and conditions of the Director including annual performance awards and pay progression;
- to provide, through a panel selected by the chairmen; an appellant recourse in disciplinary and grievance cases concerning senior staff for whom the Director is the reporting officer;
- to keep governance arrangements, including the Committee structure and schemes of delegation, under review;
- to act as a Nominations Committee for the appointment of trustees;
- to provide information about service contracts and compensation payable on early severance to senior staff; and
- to 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. Currently NML's multi-year pay remit period expires on 30 September 2008. The remuneration of senior managers for future years, with the exception of the Director, Dr David Fleming, is determined by the agreed pay remit.

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

The Director and Accounting Officer is covered by arrangements that were negotiated as part of a fixed-term contract; Dr David Fleming's service commenced on 1 October 2001 and was due to expire on 30 September 2006. However on 11 July 2006, under the Fixed Term Employees (prevention of less favourable treatment) Regulations 2002, the Director's contract was made permanent.

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

The performance of Dr Fleming is assessed annually by the Trustees and a rate of bonus for the review-year is determined. The reporting period for this performance review is 1 April 2006 to 31 March 2007. In line with NML's pay year, any payments will be made from 1 October 2007.

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

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

The Director's performance review will take place on 7 September 2007. The Chairman's recommendations on the Director's performance for 2006-2007 will be submitted to the meeting of the Remuneration Committee.

The Directors salary is disclosed in note 5 and is subject to audit.

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**Financial Review**

<b>Account</b>	<p>The account is prepared in a form directed by the Secretary of State for Culture, Media and Sport, in accordance with Sections 8(1) to 8(8) of Schedule to the Merseyside Museums and Galleries Order 1986 and complies with the Charities Act 1993, the Charities (Accounts and Reports) regulations 1995 and the Statement of Recommended Practice: Accounting by Charities (SORP).</p>
<b>Result</b>	<p>Net incoming resources, before transfers and revaluation of tangible fixed assets, for the year were £914,000. A revaluation of tangible fixed assets as at 31 March 2007 produced a revaluation surplus of £4,464,000 (after adjustments for the part demolition of the Museum of Liverpool Life). A revaluation of investments produced a surplus of £24,000, resulting in a total increase in funds of £5,402,000.</p> <p>Included within the above was a net decrease in free funds of £891,000 before transfers to capital and designated funds of £464,000. The closing balance on free income funds was £2,575,000.</p> <p>A transfer from General Fund to General Capital Fund of £385,000 was made to cover general capital expenditure and a transfer of £1,448,000 from the Development Fund to Development Fund Capital accounts was made to fund the associated eligible expenditure.</p>
<b>Reserves Policy</b>	<p>The free income reserve available at 31 March 2007 was £2,575,000. The Trustees consider that sufficient funds are held in an appropriate form to enable each fund to be applied in accordance with any restriction imposed. NML are however subject to HM Treasury controls regarding the application of end-year flexibility (EYF) balances and historical reserves.</p> <p>The Business Plan (2006/08) projections anticipated a decrease in General Fund of £1,026,000 for the year 2006/07. The result for the year was a decrease in free income reserves of £1,355,000.</p> <p>A provision for a repayment to HLF for the part demolition of the Museum of Liverpool Life and an accrual for the remaining Annual Compensation Payments to voluntary early retirements accounted for this variation.</p> <p>The reserve policy is reviewed within the context of the ongoing dialogue with DCMS concerning the use of historic balances and the annual negotiation of End Year Flexibility entitlement.</p>
<b>A new Museum of Liverpool</b>	<p>Progress on the construction of the new Museum of Liverpool accelerated during the year with the main build contractor starting on site in March 2007. Further details of the developments in the year and their impact upon the account are set out in later in this Financial Review.</p>
<b>Fixed Assets</b>	<p>Historically NML has held unapplied receipts from the disposal of two properties within its capital reserve account: -</p> <ol style="list-style-type: none"><li>1) £215,393 in respect of 63/65 Blundell Street, Liverpool, Liverpool continues to be held unapplied.</li><li>2) £385,000 in respect of the disposal of NML's leasehold interest in storage facilities at Irwell Street, Liverpool has been applied during the year to the Museum of Liverpool associated spend.</li></ol>

**National Museums & Galleries on Merseyside**  
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Application consents were received from DCMS In March 2002.

NML commissioned Drivers Jonas to carry out a full “red book” valuation of its land and buildings as at 31 March 2007. The revaluation increased the book value by £4,464,000; the details of which are set out in note 6.

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

**Trading  
Subsidiary**

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

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

During the year NML Trading Ltd produced a loss of £14,000 due to a decision of the director to amend the carrying values of the retail stocks. As a result the subsidiary did not make any gift aid contribution to NML for 2006/07.

**Customs & Excise  
National Museum**

In addition to the Grant-in-Aid (GiA) received from the DCMS, NML also receives GiA support from HM Revenue & Customs (HMRC). This arrangement is specifically related to the conservation, study and display of the national collection of HMRC. A summary of the HM Revenue & Customs Account is shown at note 16.

A further capital receipt of £145,000 was received during the year in respect of the new HMRC Museum currently in the course of development.

**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. Note 23 to the account contains a summary of the income and capital accounts of the Tomlinson Fund, which has been consolidated, for the year ended 31 March 2007.

**Speke Hall**

An agreement entered into by Ministers in 1986 requires NML to make annual GiA payments to the National Trust towards the upkeep of Speke Hall until 2015. The level of this grant is agreed annually between NML and the National Trust and for the year ended 31 March 2007 the GiA was settled at £161,820. All of this was paid during the year. The grant is associated with the revenue activities of Speke Hall and is not capital in nature.

**Prescot Museum**

NML makes an annual payment of grant to Knowsley Borough Council. The settlement is negotiated annually. The payment relates to the running costs of Prescot Museum which houses most of NML’s horology collections. The



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collections are held under a Trust Document. The level of support for 2006-2007 was £76,189 none of which had been paid during the year. By mutual assent, this agreement is to be terminated from 30 September 2007.

**Gower Street  
Estates**

NML is a member of Gower Street Estates Limited (GSEL) a company formed to manage those areas within the Albert Dock formerly managed by the Merseyside Development Corporation which ceased to exist as a body on 31 March 1998. The company is limited by guarantee and is non-profit making. The activities of the company are covered by a service charge levied on members which is calculated after taking into consideration any earned income. The service charge applicable to NML for 2006/07 is referred to in note 17.

**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 2006/07, 70% (2005-2006 – 86%) 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 payments of statutory interest under the Late Payments of Commercial Debts (Interest) Act 1998 during the year.

**National Museums & Galleries on Merseyside**  
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**Impact of the capital programme**

**New Museum of Liverpool**

NML's major capital project is the creation of a new Museum of Liverpool due to become operational as from April 2010.

The planning and development period, which came to an end on 30 June 2007, was funded by the Northwest Regional Development Agency (NWDA) through a £6m enabling grant.

The work carried out with the aid of the development grant led to the award of a £29.2 million project grant from the NWDA and a grant of £5 million from European Regional Development Funds (ERDF).

The funding agreement in respect of the ERDF was agreed and signed during the year. The funding agreement with NWDA was agreed during the year but signed on 4 April 2007.

Under a legal charge NML has covenanted with NWDA to pay any amounts that may fall due to the NWDA under the Funding Agreement and has offered as security (1) the property that is the Museum of Liverpool building, by way of first legal mortgage and (2) the goodwill of any business carried on by NML from the property by way of fixed charge.

This combined funding commitment allowed NML to move towards the appointment of a main contractor.

The new museum will be built upon NML's Mann Island site and the period of construction will coincide with the construction of the extension to the Leeds – Liverpool canal. The extension of the canal requires NML to grant certain interests over NML land to the British Waterways Board (BWB) and these are described later in this note.

The construction of the new museum required the part demolition of the Museum of Liverpool Life. The impact of this upon the balance sheet was to reduce the net book value of NML's buildings by £1.1m. The Museum of Liverpool Life was closed to the public on a permanent basis in June 2006.

The interior displays, equipment furniture and fittings were all fully written down as at 31 March 2006 however payment falls due to the Heritage Lottery Fund in respect of a technical breach in the conditions of the grant that funded those assets that formed part of NML's *Into the Future* project. A provision has been made within the account for such a repayment.

In March 2007 the main contractor commenced work on site under a letter of intent, the contract for the build was signed by all parties on the 3 June 2007 but became effective on the 1 March 2007. The contract is a

**National Museums & Galleries on Merseyside**  
**Annual Report for the year ended 31 March 2007**

fixed price, lump sum contract which gives NML a high degree of cost certainty if all of the requirements under the contract are met.

The construction and subsequent operation of the canal requires that the freehold interest in an area of land currently held by NWDA be transferred to NML. The agreement relating to this transfer was completed on 4 April 2007. NML has not adjusted the financial statements to reflect this event.

The project also requires that BWB should be granted a construction licence in order to construct the canal extension. The successful completion of the canal, within a strictly defined timeframe, is intended to lead to the grant of a long leasehold interest in land that is current part of the NML Mann Island freehold footprint. The transfer to BWB would include the interest in land transferred to NML by NWDA. The agreements relating to this transfer were completed on 4 April 2007; NML has not adjusted the financial statements to reflect these events.

Further information on the transfers can be found in note 6 which deals with the revaluation of all of NML's land and buildings carried out on 31 March 2007 by Drivers Jonas.

During the year NML made a special payment of £750,000 to remove a building restriction the benefit of which was held by an adjoining land holder. This amount has been taken to the MoL *assets in the course of construction* account along with all of the incremental expenditure associated with construction of the new museum.

A private agreement with the Merseyside Passenger Transport Executive (MPTE) remains in force as at 31 March 2007. This agreement allows the MPTE to take, on a permanent basis, an area of land at the Mann Island site currently under development. The agreement would only be enforced by MPTE if the construction of the Merseytram Line One proceeded.

To complete the fitting out of the new museum NML is seeking a major grant from the Heritage Lottery Fund and has been successful in negotiating a stage one pass. Early development expenditure on the fit out design has been funded from the NWDA Development Grant and the development of the fit out continues to be funded by NML resource and a small HLF Development Grant of £400,000 until a stage two decision is made on the major funding position in August 2008.

: The Museum of Liverpool expenditure has been taken to an assets in the course of construction account at the 31 March 2007.

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**International  
Slavery Museum  
(Phases One and  
Two)**

NML is creating an International Slavery Museum to be delivered in two phases.

The first phase will occupy the top floor of the Maritime Museum and the associated work commenced during the financial year following an extended development period. The project is funded by way of grants from the Heritage Lottery Fund and the DCMS, a substantial legacy from the estate of the late Mrs E M Tomlinson and a major donation from the Weston Foundation.

Phase One is on programme and budget and is set to open in August 2007.

The second phase sees the conversion of the Dock Traffic Office into a learning and research centre.

NML took possession of the Dock Traffic Office in July 2006 under a 25 year lease. The lease has been treated as an operating lease within the financial statements.

NML has a right under the lease to acquire the long term residual interest on payment of a premium of £1.865m and this acquisition forms part of the Trustees plans going forward.

The cumulative spend on the museum amounted to £2.010m as at 31 March 2007 and has been taken to an assets in the course of construction account.

**Audit**

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2006/07. The audit fee in respect of this work was £38,000.

*Dr David Fleming OBE*  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
Date: 28 November 2007

*Loyd Grossman OBE*  
Chairman of Trustees  
Date: 29 November 2007

**National Museums & Galleries on Merseyside**  
**Annex to the Annual Report for the year ended 31 March 2007**

**KEY PERFORMANCE INDICATORS – 2007 OUTTURN**

<b>Performance Indicator</b>	<b>2005-06 Agreed Target</b>	<b>2005-06 Out-turn</b>	<b>2006-07 Agreed Targets</b>	<b>2006-07 Out-turn</b>
<b>Core Targets</b>				
<b>KPI (1)</b> Total number of visits	1,500,000	1,608,133	1,600,000	1,694,065
<b>KPI (2)</b> Number of website visits	1,960,000	2,500,000	2,500,000	2,580,000
<b>KPI (3)</b> Number of UK adults aged 16 and over from lower socio-economic groups visiting NML	463,000	553,165	475,000	435,942
<b>KPI (4)</b> Number of children aged 15 and under visiting NML	600,000	353,789	650,000	580,548
<b>KPI (5)</b> Number of children aged 15 and under in on and off site organised educational sessions	100,000	302,852	110,000	368,961
<b>KPI (6)</b> Net Income from trading (including corporate hire)	184,000	681,000	196,000	448,000
<b>KPI (7)</b> Efficiency savings	248,900	2,728,000	252,300	2,355,000

Explanatory Note:

KPI (3) and KPI (4); figures previously submitted to DCMS and printed in NML's Annual Report were based upon a count methodology which was found to be incorrect. Adjustments have now been made and restated figures have been included within the table.

Children visiting to attend onsite educational programmes are counted solely within KPI (5) and are not counted as part of KPI (4)

KPI (7) targets were misstated in the Funding Agreement

**National Museums & Galleries on Merseyside**  
**Statement of Trustees' and Director's responsibilities**  
**For the year ended 31 March 2007**

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

In preparing the accounts the Trustees are required to:

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

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

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

*Dr David Fleming OBE*  
Director and Accounting Officer,  
National Museums & Galleries on Merseyside  
Date: 28 November 2007

*Loyd Grossman OBE*  
Chairman of Trustees  
Date: 29 November 2007

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

## **1. Scope of responsibility**

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

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

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

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NML's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NML for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

**National Museums & Galleries on Merseyside  
Statement on Internal Control within NMG  
For the year ended 31 March 2007**

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

- the Executive Team (ET) who provide strategic direction of the organisation's activities and comprise the Director as Accounting Officer, an Executive Director of the Museum of Liverpool Project, an Executive Director of Development and Communications, an Executive Director of Human Resources, an Executive Director of Finance and a Secretary to the Board of Trustees. In addition to the foregoing, Executive Team meetings are also attended by the Executive Director of Public Services - Collections Management, Executive Director of Public Services - Visitor Management, the Head of Financial Planning and the Head of Internal Audit (as appropriate);
- the Senior Management Team (SMT), responsible for the implementation of policies to achieve core aims, beliefs and operational objectives comprising the Executive Team and fifteen Divisional Heads (as appropriate); and
- the Strategy Forum, comprising the ET, SMT and Departmental Heads tasked with the delivery of strategic objectives, corporate priorities and obligations, NML's vision and beliefs whilst managing and containing the organisation's risks at an acceptable level.

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

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

As part of NML's commitment to continuous improvement in all of its activities, managers have received developmental training to equip them and aid them in the discharge of their responsibilities. In addition, NML is now delivering a unique training programme to prepare its curatorial and conservational staff in the disciplines and skills necessary for all aspects of collections management. This initiative is highly regarded and currently fully subscribed.

### **3. Capacity to handle risk**

During 2006/07 the Executive Team has continued to develop and increase the organisation's capacity to handle risk. To this end the Executive Team has put in place:

- an organisation wide risk register management computer application – the RiskNetwork© - and is rolling this out to all managers in the Executive Team, Senior Management and Strategy Forum;
- an effective management team, integrated at many levels, vertically and horizontally, across the whole organisation, which meets to consider the plans



**National Museums & Galleries on Merseyside  
Statement on Internal Control within NMGGM  
For the year ended 31 March 2007**

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- and strategic direction of NML and the associated risks for the institution;
- a set of corporate priorities and obligations which represent NML's fundamental corporate delivery strategy and are intended to ensure that NML is able to sustain and continue to deliver its core activities irrespective of the operating environment;
- a clear statement of its vision and beliefs to underpin all of NML's fundamental obligations and priorities;
- a suite of Trustee Committees linked closely to operational areas of responsibility and specifically an Audit Committee which reports to the Board of Trustees regarding internal control and risk associated issues across all areas of activity;
- a standing provision for the Head of Internal Audit to attend Executive Team meetings and meetings of the Full Board of Trustees;
- a programme to reconsider all existing Key Performance Indicators and develop a suite of more relevant and up to date mechanisms for measuring and reporting performance;
- the devolution of statements on the adequacy and effectiveness of financial management for the first time below Directorate Heads to delegated budget managers;
- the principle of determining corporate priorities using appropriate objective methodologies as required; and
- a strategic planning process based on Directorates, which links priorities to resource availability in the form of funding and people.

#### **4. The risk and control framework**

The final preparations for embedding the management of risk in NML were completed during 2006/07 and the fully embedded system is being rolled out through 2007/08. To this end the Executive Team has:

- developed individual risk registers with project partners for major capital projects which are OGC Gateway compliant;
- supported and agreed the use of workshops for the identification and recording of risks facing NML;
- has adopted the Treasury's own "Orange Book" and "Orange Booklet for NDPBs" as NML's principal guidance on risk management and has made this available to all staff in an electronic version;
- made provision for other supporting guidance to be made available in an electronic form on the IT network including its suite of Financial Control Guidance Notes;
- given access to a management development programme that raises risk awareness;
- ensured that rigorous risk assessments are carried out by the responsible officers within the management team to provide the best conditions for the optimum physical health, safety and security of our staff and visitors;
- applied sensitivity analyses when developing activities which interact with our public; and
- put in place a dedicated team to ensure that our activities reach out to our public to ensure that all individuals and groups are included in the scope of our activities.

## **5. Review of effectiveness**

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

NML has a dedicated **Audit Committee** in line with the recommendations of the Sharman Report. This Committee meets at least three times a year and the Chairman reports to the full Board of Trustees. The inclusion of external members who are neither Officers nor Trustees of the institution has served to strengthen the membership. It is intended that with effect from 2007/08 the Audit Committee will meet four times a year in line with the provisions of the Audit Committee Handbook.

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

- NML's managers' risk management strategies and measures, proposed and in place, to ensure that their assurances to the Accounting Officer are reliable and sustainable;
- the adequacy and effectiveness of internal control systems and the overall control environment in NML for the containment and management of risk at acceptable levels; and
- arrangements, proposed and in place, to ensure adequate and effective compliance with the NML's own governance requirements including:
  - internal policies and objectives;
  - statutory obligations;
  - third party direction such as the Management Statement & Financial Memorandum; and
  - regulatory requirements such as Health and Safety regulations.

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

- reviews of completed capital projects to derive 'lessons' that might be learned and applied to ongoing and future similar projects; and
- facilitation of senior management meetings to assess the implication of emerging risks for NML during the course of the year.

**National Museums & Galleries on Merseyside  
Statement on Internal Control within NMGM  
For the year ended 31 March 2007**

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NML does not have a **Risk Committee** as such but the Director, his Executive Directors and the Secretary to the Board perform this function. During the course of the year the Executive Team met to develop strategies and implement measures to deal with emerging risks, most notably:

- the volatility of costs in the energy utilities market; and
- constraints placed on NML's use of its financial reserves through HM Treasury end of year flexibility rules.

During the year, NML continued to retain external consultants where internal expertise was not available to progress NML's programme of capital projects. Consultancy provided included the following projects:

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

**6. Significant internal control problems**

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

*Dr David Fleming OBE*  
Director and Accounting Officer  
National Museums & Galleries on  
Merseyside  
Date: 28 November 2007

*Loyd Grossman OBE*  
Chairman of Trustees

Date: 29 November 2007

## **National Museums & Galleries on Merseyside 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 group for the year ended 31 March 2007 under the Merseyside Museums and Galleries Order 1986. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cashflow 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, the Director and auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises: Legal and Administrative information and Operating and Financial Review, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Museums and Galleries on Merseyside has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the National Museums and Galleries on Merseyside's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the National Museums and Galleries on Merseyside's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the

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

accounting policies are most appropriate to the National Museums and Galleries on Merseyside's circumstances, consistently applied and adequately disclosed.

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

### **Opinions**

#### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury, of the state of the National Museums and Galleries on Merseyside and the group's affairs as at 31 March 2007 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury; and
- information given within the Annual Report, which comprises: Legal and Administrative information and Operating and Financial Review, is consistent with the financial statements.

#### **Audit Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Report**

I have no observations to make on these financial statements.

*John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP  
Date 11 December 2007*

**National Museums & Galleries on Merseyside  
Consolidated Statement Of Financial Activities  
For the year ended 31 March 2007**

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2007 £000	Total 2006 £000
<b>Incoming resources:</b>					
Grant-in-aid - DCMS	2	21,203	-	21,203	18,155
Grant-in-aid - HMRC	2	-	530	530	490
Incoming resources from generated funds:					
Grants and donations		75	4,418	4,493	6,909
Legacies		-	1,550	1,550	50
Gifts	6	-	160	160	268
Merchandising income of subsidiary company	9	1,750	-	1,750	1,702
Investment Income	7	231	54	285	245
Incoming resources from charitable activities		943	-	943	1,296
<b>Total incoming resources</b>		<b>24,202</b>	<b>6,712</b>	<b>30,914</b>	<b>29,115</b>
<b>Resources expended:</b>					
Costs of generating funds;					
Fundraising costs		528	-	528	401
Costs of subsidiary company merchandising	9	1,976	-	1,976	1,891
Charitable activities;					
Care of collections		5,812	275	6,087	5,598
Care of buildings		5,214	337	5,551	4,658
Visitor services		3,448	145	3,593	3,610
Exhibitions		1,614	99	1,713	1,870
Education and research		2,646	114	2,760	2,278
Grants to third parties		238	-	238	233
Fees & Charges activities of charity staff		572	-	572	706
Governance costs		245	5	250	224
Depreciation		2,243	3,389	5,632	6,368
Disposal of assets		979	121	1,100	0
<b>Total resources expended</b>	4	<b>25,515</b>	<b>4,485</b>	<b>30,000</b>	<b>27,837</b>
<b>Net incoming resources before notional costs and transfers between funds</b>	3	<b>-1,313</b>	<b>2,227</b>	<b>914</b>	<b>1,278</b>
Notional cost of capital	1(j)	-3,885	-134	-4,019	-3,828
Transfers between funds		0	0	0	0
<b>Net (outgoing)/incoming resources after notional costs and transfers between funds</b>		<b>-5,198</b>	<b>2,093</b>	<b>-3,105</b>	<b>-2,550</b>
Reversal of notional cost of capital		3,885	134	4,019	3,828
<b>Net incoming resources</b>		<b>-1,313</b>	<b>2,227</b>	<b>914</b>	<b>1,278</b>
<b>Movement on assets:</b>					
<b>Revaluation of tangible fixed assets &amp; investments</b>	6	<b>6,063</b>	<b>-1,575</b>	<b>4,488</b>	<b>8,896</b>
Net movement in funds		4,750	652	5,402	10,174
Fund balances brought forward at 1 April		108,692	70,320	179,012	168,838
Fund balances carried forward at 31 March	14	113,442	70,972	184,414	179,012

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 39 to 68 form part of these accounts.

**National Museums & Galleries on Merseyside  
Consolidated Balance Sheet  
As at 31 March 2007**

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	6	169,260	165,197
Heritage assets		<u>7,481</u>	<u>7,160</u>
		<b>176,741</b>	172,357
<b>Current assets:</b>			
Stock - goods for re-sale		135	242
Investments	24	1,510	0
Debtors	10	3,362	3,242
Cash at bank and in hand		<u>6,344</u>	<u>6,709</u>
		<b>11,351</b>	10,193
<b>Creditors: amounts falling due within one year</b>	11	<u>-3,644</u>	<u>-3,538</u>
<b>Net current assets</b>		<u>7,707</u>	<u>6,655</u>
<b>Total assets less current liabilities</b>		<u>184,448</u>	<u>179,012</u>
<b>Creditors: due after more than one year</b>	11 & 12	<u>-34</u>	<u>0</u>
<b>Total net assets</b>		<u>184,414</u>	<u>179,012</u>
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds		70,972	70,320
Unrestricted funds:			
Designated funds		111,266	105,208
General funds		<u>2,176</u>	<u>3,484</u>
<b>Total funds</b>		<u>184,414</u>	<u>179,012</u>

The notes on pages 39 to 68 form part of these accounts.

*Dr David Fleming OBE*  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
Date: 28 November 2007

*Loyd Grossman OBE*  
Chairman of Trustees

Date: 29 November 2007

**National Museums & Galleries on Merseyside  
Museum Balance Sheet  
As at 31 March 2007**

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	6	169,178	165,095
Heritage assets		7,481	7,160
Investment in NMGM Enterprises Limited	9	380	380
		<b>177,039</b>	172,635
<b>Current assets:</b>			
Stock - goods for re-sale		21	23
Investments	24	1,510	-
Debtors	10	3,330	3,247
Cash at bank and in hand		6,000	6,413
		<b>10,861</b>	9,683
<b>Creditors: amounts falling due within one year</b>	11	<b>-3,458</b>	<b>-3,325</b>
<b>Net current assets</b>		<b>7,403</b>	<b>6,358</b>
<b>Total assets less current liabilities</b>		<b>184,442</b>	<b>178,993</b>
<b>Creditors: due after more than one year</b>	11 & 12	<b>-34</b>	<b>0</b>
<b>Total net assets</b>		<b>184,408</b>	<b>178,993</b>
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds		70,972	70,320
Unrestricted funds:			
Designated funds		111,266	105,208
General funds		2,170	3,465
<b>Total funds</b>		<b>184,408</b>	<b>178,993</b>

The notes on pages 39 to 68 form part of these accounts

*Dr David Fleming OBE*  
Director and Accounting Officer  
National Museums & Galleries on Merseyside  
Date: 28 November 2007

*Loyd Grossman OBE*  
Chairman of Trustees  
Date: 29 November 2007



**National Museums & Galleries on Merseyside**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 March 2007**

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	<b>Notes</b>	<b>2007</b>	2006
		<b>£000</b>	£000
Net cash inflow from operating activities	<b>19</b>	<b>4,570</b>	8,401
Returns on investments and servicing of finance:			
Interest received		<b>285</b>	245
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<b><u>-5,220</u></b>	<b><u>-8,202</u></b>
(Decrease) / increase in cash in the year		<b><u>-365</u></b>	<b><u>444</u></b>

The notes on pages 39 to 68 form part of these accounts

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2007**

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**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, except in relation to the allocation of depreciation (Note 1c).

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

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

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

A number of funds which predate NMGM's existence, which share a commonality of Trusteeship, have not been consolidated but are declared in full, as a note to the account (note 23).

b) **Incoming resources**

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

Capital grants with a restricted application, Lottery income and income from the Northwest Development Agency is recognised as and when the conditions for its receipt have been met.

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

A small amount of 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.

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

c) **Expenditure**

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

The charitable activity groupings are; care of collections, care of buildings, visitor

services, exhibitions and education and outreach. Expenditure has been allocated on a direct basis where applicable and by apportionment for administration and other costs. The apportionment method is based upon a pro-rata relationship of indirect costs to total direct costs. The Museum has taken the decision not to allocate the £5.6m of depreciation across the charitable activities of the Museum, this represents a material departure from the SORP 2005. In the Museum's view this is because:

- the allocation of depreciation across charitable activities on the face of the primary statements does not assist the reader of the account;
- any method of allocating depreciation to activity heads would be arbitrary; and
- because of the above, the results of any attempted allocation within a multi-site organisation add little value.

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

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

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

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

e) ***Fund accounting***

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

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

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

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 and heritage assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2007**

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

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

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

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

Land and buildings are professionally revalued every five years. The last full quinquennial external valuation of all NML's land and buildings was undertaken as at 31 March 2007.

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

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

- g) **Stock**  
Stock is valued at the lower of cost and net realisable value and comprises goods for resale.
- h) **Leases**  
Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.
- i) **Pensions**  
NML's staff is employed on terms, conditions and rates of pay determined by the Trustees. Staff that 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.

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

j) **Notional costs**

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

The notional cost of capital is 3.5% of average net assets (2005/06: 3.5%) calculated in accordance with advice issued by HM Treasury. The net values associated with assets funded by donations and by lottery grants are excluded from the notional charge as are the capitalised values of additions to the collections.

k) **Taxation**

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

l) **Provisions**

NML has made a specific provision in respect of an early retirement scheme. Under this scheme, the Museum bears the cost of these benefits until the normal retirement age. The liability is recognised in NML's account; after the business case has been agreed, and the contract documents signed.

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.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2007**

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- 2. Grant-in-Aid** £21,203,000 of DCMS "Grant-in-Aid" has been received during the year (2006: £18,155,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-aid was allocated to:

	<b>2007</b>	2006
	<b>£000</b>	£000
General Fund	<b>18,403</b>	17,380
Collection purchase fund	<b>0</b>	225
Deferred Government Grant Capital Allocation	<b><u>2,800</u></b>	<u>550</u>
	<b><u>21,203</u></b>	<u>18,155</u>

Payment of Grant-in-Aid is made by the Department for Culture, Media and Sport from the DCMS Resource Account for 2006/07 (Request for Resources 1) which is audited and published separately.

NML also receives Grant-in-Aid from the HM Revenue & Customs resource account. The amount received in 2006/07 was £392,292 (2005/06 £335,117). The sum of £7,728 was repaid under the End Year Flexibility rules. A capital amount of £145,000 was also received. A summary can be seen at Note 16.

**3. Net Incoming Resources**

	<b>2007</b>	2006
	<b>£000</b>	£000
Net incoming resources before transfers is stated after charging for:		
Travel and Subsistence (including Trustees)	<b>182</b>	161
Hospitality	<b>88</b>	84
Operating lease payments	<b>136</b>	24
Consolidated Audit Fee	<b>38</b>	37
Trading Company Audit Fee	<b><u>7</u></b>	<u>7</u>
	<b><u>451</u></b>	<u>313</u>

**National Museums & Galleries on Merseyside**  
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<b>4. Total resources expended</b>	<b>Staff Costs £000</b>	<b>Other Costs £000</b>	<b>Depreciation £000</b>	<b>2007 Total £000</b>	<b>2006 Total £000</b>
Costs of generating funds:					
Fundraising costs	386	142	-	528	401
Cost of subsidiary company merchandising	996	955	25	1,976	1,891
Charitable activities;					
Care of collections	5,254	833	-	6,087	5,598
Care of buildings	851	4,700	-	5,551	4,658
Visitor services	3,519	74	-	3,593	3,610
Exhibitions	464	1,249	-	1,713	1,870
Education and outreach	2,087	673	-	2,760	2,278
Grants to Third Parties	-	238	-	238	233
Fees & Charges activities of charity staff	319	253	-	572	706
Governance costs	168	82	-	250	224
Depreciation	-	-	5,632	5,632	6,368
Disposal of assets	-	1,100	-	1,100	0
<b>Total resources expended</b>	<b>14,044</b>	<b>10,299</b>	<b>5,657</b>	<b>30,000</b>	<b>27,837</b>

**Governance costs** includes:

External Audit fees	-	45	-	45	44
Corporate Governance (incl Internal Audit)	124	3	-	127	120
Legal Advice	-	26	-	26	15
Finance	44	8	-	52	45
	<u>168</u>	<u>82</u>	<u>0</u>	<u>250</u>	<u>224</u>

<b>Support costs;</b>	<b>Care of Collections</b>	<b>Care of Buildings</b>	<b>Visitor services</b>	<b>Exhibitions</b>	<b>Education &amp; Outreach</b>	<b>Total</b>
Management	116	75	70	25	47	333
Finance	231	133	142	45	93	644
ICT	255	304	135	90	106	890
Office services	70	90	37	26	29	252
Human resources	<u>241</u>	<u>285</u>	<u>129</u>	<u>84</u>	<u>100</u>	<u>839</u>
	<b>913</b>	<b>887</b>	<b>513</b>	<b>270</b>	<b>375</b>	<b>2,958</b>

The support costs are contained within the respective charitable activities headings above. Depreciation has not been allocated to Charitable activities; in line with the policy adopted (Note 1c)

**National Museums & Galleries on Merseyside**  
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**5. Staff Costs**

During the year staff costs directly associated with the delivery of NML's major capital project – a new Museum of Liverpool - and incremental to the normal operating staff cost base, were capitalised. The amount for the year was £226,390. The following note has been expanded to reflect the capitalisation.

	NML	NML	Total	Total
	£000	Trading Ltd £000	2007 £000	2006 £000
Wages and salaries	10,474	933	11,407	11,070
Social Security Costs	704	53	757	733
Pension Costs	1,870	10	1,880	1,746
<b>Staff Costs within operating expenditure</b>	<b>13,048</b>	<b>996</b>	<b>14,044</b>	<b>13,549</b>
Capitalised Staff Costs	226	0	226	130
<b>Total Staff Costs</b>	<b>13,274</b>	<b>996</b>	<b>14,270</b>	<b>13,679</b>

The capitalised staff costs relate solely to the new Museum of Liverpool, and include; Basic Pay £176,454, Employers NIC £16,410 and Employers Superannuation £33,526.

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

For 2006/07, employers' contributions of £1,903,688 were payable to the PCSPS (2005-06: £1,738,356) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08 the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006/07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,072 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer **partnership** contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employer contributions of £650.63 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.

No employees retired early on **ill-health** grounds during the year; the total additional accrued pension liabilities in the year amounted to zero.



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Until 31 July 2006

The subsidiary trading company operated a defined contribution scheme. The cost of the scheme to the company is limited to the employer's contributions payable. In 2006/07 the employer's contribution was 5% of basic salary for all members plus 1.5% of basic earnings above the lower earnings limit for those members who have contracted out of SERPS. The pension cost to the employer amounted to £10,299 in the year (2005/06: £11,431). The scheme was brought to an end on 31 July 2006 at which point the accrued benefits of the members were transferred to a Group Personal Pension Plan. The new arrangement means that the pensionable employees of the subsidiary company are now 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.

Apart from three members of the Executive Team, there were no staff members receiving over £60,000.

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

<b>Employee Configuration as at 31 March 2007</b>	<b>2007</b>	<b>Employee Configuration as at 31 March 2006</b>	<b>2006</b>
Director's Office	8	Director's Office	5
Museum Secretary's Office	2	Museum Secretary's Office	4
Development and Communications	60	Development and Communications	65
Public Services:		Public Services:	
Collections Management	118	Collections Management	117
Visitor Services	202	Visitor Services	199
Museum of Liverpool	44	Museum of Liverpool	41
Human Resources	15	Human Resources	17
Finance, ICT & Procurement	41	Finance, ICT & Procurement	43
Cleaning Services	40	Cleaning Services	43
NML Trading Ltd	<u>63</u>	NML Trading Ltd	<u>62</u>
	<b><u>593</u></b>		<b><u>596</u></b>

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

<b>Employee Configuration as at 31 March 2007</b>	<b>2007</b>	<b>Employee Configuration as at 31 March 2006</b>	<b>2006</b>
Senior Management Team	11	Senior Management Team	12
Staff on permanent contract	532	Staff on permanent contract	516
Staff on secondment	0	Staff on secondment	0
Staff on fixed term contracts	<u>50</u>	Staff on fixed term contracts	<u>68</u>
Total	<b><u>593</u></b>	Total	<b><u>596</u></b>

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

**Trustees**

The Trustees neither received nor waived any emoluments during the year. Payments to reimburse Trustees' travel and subsistence costs associated with the attendance of meetings amounted to £14,477 (2006: £14,958). Eight trustees were reimbursed in 2006/07.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
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There are six Directorships within NML, these are: -

The Director and Accounting Officer  
The Director of the Museum of Liverpool Project  
The Director of Finance  
The Director of Development & Communications  
The Assistant Director of Public Services (Collections Management) and  
The Assistant Director of Public Services (Visitor Management).

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

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

The Executive Team  
The Senior Management Team, and  
The Strategy Forum.

The Executive Team consists of four Directors plus the Assistant Directors, the Secretary to the Board, the Head of Human Resources and the Director of Finance designate. The Secretary to the Board does not have any decision making powers. The annual appraisals of the Executive Team are countersigned by the Trustees.

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

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

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

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

**National Museums & Galleries on Merseyside**  
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	Salary Including performance pay 2006/07 £'000	Salary Including performance pay 2005/06 £'000	Accrued pension at age 60 as at 31/03/07 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV <sup>1</sup> at 31/03/07 £'000	CETV at 31/03/06 £'000	Real increase in CETV £'000
D Fleming Director	90-95 plus non consolidated bonus 5-10	85-90 plus non consolidated bonus 5-10	25 – 30 plus lump sum of 80 - 85	0 – 2.5 plus lump sum of 2.5 - 5	516	478	22
S Granville Director of Museum of Liverpool Project	65-70	60-65	15 – 20 plus lump sum of 45 - 50	0 – 2.5 plus lump sum of 0 – 2.5	255	240	11
A de Joia Director of Development & Communications	60-65	60-65	10 – 15 plus lump sum of 40 - 45	0 – 2.5 plus lump sum of 2.5 - 5	208	191	13
Keith Pennington Director of Finance	55-60	50-55	15 – 20 plus lump sum of 50-55	0 – 2.5 plus lump sum of 2.5 - 5	407	381	29
John Millard Assistant Director of Public Services (Collections Management)	50-55	45-50	25 - 30	2.5 - 5	529	463	46
Carol Rogers Assistant Director of Public Services (Visitor Management)	50-55	45-50	0 - 5	0 – 2.5	44	31	11
Irene Newton Head of Human Resources	45-50	45-50	15 - 20 plus lump sum of 50-55	0 – 2.5 plus lump sum of 0 – 2.5	350	325	13
Mike Simmons Head of Financial Planning and Management Information Services	45-50	New Starter in Financial Year 2006/07	0 – 2.5	0 – 2.5	4	0	3

**National Museums & Galleries on Merseyside**  
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**2007**

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

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

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

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

**Real increase in CETV**

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

There were no special or ex-gratia payments during the financial year. Employees received no benefits in kind during the year.

**National Museums & Galleries on Merseyside**  
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<b>6. Tangible fixed assets</b>	<b>Land</b>	<b>Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Assets in Course of Construction</b>	<b>sub-total</b>	<b>Heritage Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost/valuation</b>								
Valuation Base at 01-Apr-06	15,641	148,331	20,539	97	5,489	190,097	7,160	197,257
Additions in Year	-	1,516	348	-	4,494	6,358	321	6,679
Disposals	-	-1,190	-5	-	-	-1,195	-	-1,195
Revaluation	<u>12,029</u>	<u>-22,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-10,138</u>	<u>-</u>	<u>-10,138</u>
<b>Valuation</b>	<b>27,670</b>	<b>126,490</b>	<b>20,882</b>	<b>97</b>	<b>9,983</b>	<b>185,122</b>	<b>7,481</b>	<b>192,603</b>
Transfers to AICC	<u>-6,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,940</u>	<u>-</u>	<u>-</u>	<u>0</u>
<b>Closing valuation</b>	<b>20,730</b>	<b>126,490</b>	<b>20,882</b>	<b>97</b>	<b>16,923</b>	<b>185,122</b>	<b>7,481</b>	<b>192,603</b>
<b>Depreciation</b>								
Balance as at 01-Apr-06	-	11,695	13,122	85 *	-	24,902 *	-	24,902
Base Charge for Year	-	2,997	2,657	3	-	5,657	-	5,657
Disposals	-	-90	-5	-	-	-95	-	-95
Revaluation	<u>-</u>	<u>-14,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-14,602</u>	<u>-</u>	<u>-14,602</u>
Balance as at 31-Mar-07	<u>0</u>	<u>0</u>	<u>15,774</u>	<u>88</u>	<u>0</u>	<u>15,862</u>	<u>0</u>	<u>15,862</u>
Net book value:								
<b>At 31 March 2007</b>	<b><u>20,730</u></b>	<b><u>126,490</u></b>	<b><u>5,108</u></b>	<b><u>9</u></b>	<b><u>16,923</u></b>	<b><u>169,260</u></b>	<b><u>7,481</u></b>	<b><u>176,741</u></b>
At 31 March 2006	<u>15,641</u>	<u>136,636</u>	<u>7,417</u>	<u>12</u>	<u>5,489</u>	<u>165,195</u>	<u>7,160</u>	<u>172,355</u>

\* The depreciation brought forward does not represent last year's closing figure due to roundings.

This note reflects the consolidated position of NML and its subsidiary trading company NML Trading Limited. All of the tangible fixed assets of the trading company are shown within furniture and fittings. The net book value as at 31 March 2007 was made up of:

	<b>2007</b>	<b>2006</b>
National Museums Liverpool	176,659	172,253
NML Trading Limited	<u>82</u>	<u>102</u>
	<b>176,741</b>	<b>172,355</b>

**National Museums & Galleries on Merseyside**  
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<b>Heritage Assets</b>	These consist wholly of additions to the collections. The additions to the collections are made by purchase and by gift. In 2006-07 the major additions were:	£
	<b>Collection Purchase Fund</b>	
<b>By Purchase</b>		
	Richard Wright oil on canvas painting (1746-1773)	35,000
	Huxley Hoard of Viking Silver	28,000
	Anglo Saxon square headed 6 <sup>th</sup> Century brooch	15,017
	<i>Sabalites</i> Palm Frond	14,440
	Martin Greenland painting "Before Vermeer's Clouds"	7,960
<b>By Gift</b>		
	Decorative china plate of the African Steam Co.	80,000
	Diary of Thomas Moore	10,000
	Ship model "The Wanderer"	10,000
	Winifred Nicholson "Capari and Pomegranate" oil on canvas 1967	5,000
	Winifred Nicholson "View through a window with blue curtains and chair"	5,000
	Papers of John Holt 1860-1876	5,000

**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 recognised in the account as ownership passes from the donor to NML. Valuations of gifts are based upon either the opinion of NML specialist staff or, where appropriate, by reference to a Capital Taxes Office valuation.

**Gifts in Kind**

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

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

The collections of NML comprise objects of fine and decorative art; costume and textiles; ethnology; zoology; botany; physical science; scientific instruments; earth science; antiquities; numismatics; archaeology; social and urban history; industry; land transport; archives; transatlantic slavery; maritime history; ships and boats; and military history.

The collections are held at NML sites in and around Liverpool (Walker Art Gallery; Merseyside maritime Museum; World Museum Liverpool; Lady Lever Art Gallery; Transatlantic Slavery Museum; Sudley House; Oratory; and Juniper Street stores 1 and 2), and at sites around Britain with long-term loans from the collections. NML also holds a number of long term loans including particularly the national collection of HM Revenue and Customs and the King's Regiment collection.

The collections are recorded on paper and within electronic databases which are subject to annual audit inspections.

The condition of the collections is monitored by professional conservators and curators employed by National Museums Liverpool, supported by a collections management training scheme.

**National Museums & Galleries on Merseyside**  
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**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 to cover the intervening periods.

NML instructed Drivers Jonas, chartered surveyors, to carry out a full valuation of its land and buildings as at 31 March 2007 and the results of the valuation are reflected in the financial statements. The gross values on land and buildings and the accumulative depreciation were transferred to a segmental revaluation account along with the matching credits from the unrestricted and restricted capital funds. The restated values were then debited to the appropriate asset accounts and then re-credited to the capital funds in aliquot portions. The table reflects a reduction in net book value due to the indexation applied in the years since the last full revaluation, 2002.

A particular concern for this valuation was the treatment of the Mann Island Site and the Maritime Park which are affected by the construction of the New Museum of Liverpool and the extension of the Leeds- Liverpool Canal. In restating the land values the area of land upon which the new museum will be built has been treated as land associated with Assets in the Course of Construction and the post balance sheet disposal areas separately identified. The opportunity has also been taken to re-categorise the Maritime Park into more logical valuation areas.

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

Property	Basis	Land Value	NBV Bldgs (depreciating)	Land Value	NBV Bldgs	
		31-Mar-06 £	31-Mar-06 £	31-Mar-07 £	31-Mar-07 £	
<b>Freehold Properties</b>						
Lady Lever Art Gallery	DRC	77,000	6,297,960	830,000	5,820,000	
County Sessions House	DRC	390,000	1,163,746	600,000	1,730,000	
The Walker	DRC	1,872,000	17,640,129	3,550,000	14,590,000	
World Museum Liverpool	DRC	2,278,000	60,178,027	3,500,000	53,500,000	
Sudley House	DRC	162,000	1,422,597	210,000	1,780,000	
Maritime Park:- (re-categorised as)						
MLL demolished	}					
MLL retained		DRC		320,000	640,000	
GWR Building		DRC			390,000	450,000
Dockmaster's House		DRC	3,207,000	5,629,779	100,000	100,000
Canning Docks				3,460,000	750,000	
Maritime Car Park:- (re-categorised as)						
Prospective canal basin (T1A)	}			440,000	-	
Land abutting canal basin (T2)				152,000	-	
Canning Docks / Pilotage Amenity Land		EUV / MV	5,500,000		3,726,000	-
GWR Amenity Land (T7A)					192,000	-
Western Steps (T7B)				120,000	-	
Juniper Street	EUV		3,753,989	-	4,960,000	
Dale Street	EUV		2,282,757	-	3,373,500	
		<b>13,486,000</b>	<b>98,368,984</b>	<b>17,590,000</b>	<b>87,693,500</b>	
<b>Long Leasehold Properties</b>						
Oratory	DRC	49,000	34,001	60,000	50,000	
Maritime 'D' Block	DRC	900,000	23,643,569	1,160,000	21,800,000	
Maritime Piermaster's House	DRC	129,500	581,538	260,000	490,000	
The Walker	DRC	18,000	753,831	30,000	140,000	
Conservation Centre	DRC	1,058,000	13,231,007	1,630,000	16,240,000	
DS (11 North St)	OMV	-	23,772	-	76,500	
		<b>2,154,500</b>	<b>38,267,718</b>	<b>3,140,000</b>	<b>38,796,500</b>	
<b>Totals</b>		<b>15,640,500</b>	<b>136,636,702</b>	<b>20,730,000</b>	<b>126,490,000</b>	

**National Museums & Galleries on Merseyside**  
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After the revaluation the net book value of land and buildings comprises:

	<b>£000</b>
Land	20,730
Freehold Buildings	87,694
Long Leasehold Buildings	<u>38,796</u>
	<b><u>147,220</u></b>

**Assets in the Course of Construction**

**Assets in the Course of Construction**

	<b>£m</b>
Assets in the Course of Construction consist of:	
Museum of Liverpool	7.950
Phases one and Two of the International Slavery Museum	2.010
HMRC New Gallery	.023
Land under construction	<u>6.940</u>
	<b><u>16.923</u></b>

**Disposals in year**

There was £4,641 of furniture and fittings disposals for the subsidiary trading company. There was a demolition of part of the Museum of Liverpool Life building during the year. The net book value of that part of the building was £1,100,000. The Heritage Lottery Fund is looking to recover £171,306 of the original funding. NML is carrying forward an unapplied balance in respect of the disposal of the Blundell Street Warehouse (£215,393). The cash balance forms part of the asset representation of the Capital Reserve Fund.

**7. Investment Income**

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

	<b>2007</b>	2006
	<b>£000</b>	£000
Interest receivable	<u><b>285</b></u>	<u>245</u>

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



**National Museums & Galleries on Merseyside**  
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**8. Financial Instruments**

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

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

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

Liquidity Risks

In 2006-07, £21.2m (69%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue GIA of £392k and a capital grant of £145k was received from HM Revenue and Customs. The remaining operating expenditure was therefore financed from self-generated income which tends to be volatile in nature. NML is therefore exposed to some liquidity risk. However, this risk is mitigated by the reserves policy.

Going forward there is a liquidity risk for the 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.

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 2006-2007 was 3.75%.

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.

Investment Risk

NML has £1.510m invested in fixed interest and equity stocks. The investment manager works to a low risk profile instruction. The amount invested represents less than 5% of total incoming resources.

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**9. Trading subsidiary** NML owns the whole of the issued share capital of NML Trading Limited, a company registered in England and Wales. The company's principal activities consist of the provision of catering, retailing, conferencing and other services to NML's visitors.

The Directors of the company as at 31 March 2007 were:

Lorraine Rogers (Chair)  
 David Fleming  
 Loyd Grossman  
 Alexis Redmond

All of the Directors 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 2007 is summarised below followed by the Company's Balance Sheet.

<b>Results</b>	<b>Income</b>	<b>Cost of</b>	<b>Other</b>	<b>Loss /</b>
	<b>£000</b>	<b>Sales</b>	<b>Expenditure</b>	<b>Profit</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Retail	711	-447	-291	-27
Catering	1,044	-365	-609	70
Other Services	315	0	-377	-62
Interest receivable	<u>5</u>	<u>0</u>	<u>0</u>	<u>5</u>
<b>Total as at 31 March 2007</b>	<b><u>2,075</u></b>	<b><u>-812</u></b>	<b><u>-1,277</u></b>	<b><u>-14</u></b>
At 31 March 2006	2,081	-730	-1,330	21

The substantive loss on retail is accounted for by the decision of the Directors to write down the retail stock values following a review of the shelf life of stock held. The resulting exceptional expenditure of £40,000 increased cost of sales in the year.

The company would normally pass the annual profit to the parent charity by way of a gift aid transfer. Because of the event noted above this was not possible for 2006/07.

<b>Balance Sheet</b>	<b>2007</b>	2006
	<b>£000</b>	£000
Fixed assets	82	102
Current assets	554	659
Current liabilities	<u>-250</u>	<u>-362</u>
Net assets	<b><u>386</u></b>	<b><u>399</u></b>
<b>Share capital and reserves</b>	<b><u>386</u></b>	<b><u>399</u></b>

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.

**National Museums & Galleries on Merseyside**  
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The reconciliation to the Consolidated Statement of Financial Activities in respect of merchandising income and cost of sales is as follows: -

	<b>2007</b>	2006
	<b>£000</b>	£000
<b>Merchandising Income of Subsidiary Company</b>		
Merchandising Income of the company as shown in the Statement of Financial Activities	<b>1,750</b>	1,702
plus sales to NML, the parent body	<b>325</b>	379
<b>Equals total NMLT Income</b>	<b><u>2,075</u></b>	<u>2,081</u>

**Costs of subsidiary company merchandising**

Costs of subsidiary company merchandising as shown in the Statement of Financial Activities	<b>1,976</b>	1,891
plus purchases from NML, the parent body	<b>113</b>	169
	<b><u>2,089</u></b>	<u>2,060</u>

**Which equates to;**

<b>NMLT cost of sales plus</b>	<b>812</b>	730
<b>NMLT other expenditure</b>	<b>1,277</b>	1,330
	<b><u>2,089</u></b>	<u>2,060</u>

	<b>2007</b>	2006
	<b>£000</b>	£000
<b>Amount owed by the parent body to the subsidiary</b>	<b><u>64,000</u></b>	<u>106,000</u>
<b>Amount owed by the subsidiary to the parent body</b>	<b><u>128,000</u></b>	<u>254,673</u>

**National Museums & Galleries on Merseyside**  
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10. Debtors	2007	2007	2006	2006
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts due from subsidiary	128	0	254	0
Trade debtors	646	734	214	349
Other debtors and prepayments	1,981	2,053	2,264	2,378
Taxation (VAT) recoverable	575	575	515	515
	<u>3,330</u>	<u>3,362</u>	<u>3,247</u>	<u>3,242</u>

Other debtors includes a balance of £479,000 owed by the North West Regional Development Agency, £581,000 by HLF and £575,000 owed by HM Revenue and Customs.

11. Creditors:	2007	2007	Reanalysis 2006	Reanalysis 2006
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts falling due within one year:				
Amounts due to subsidiary	64	0	106	0
Trade creditors	1,271	1,294	1,596	1,707
Other creditors and accruals	1,688	1,816	1,162	1,315
Deferred income	189	215	124	124
Taxation and social security	246	319	259	314
	<u>3,458</u>	<u>3,644</u>	<u>3,247</u>	<u>3,460</u>
Amounts falling due after more than one year:				
	<u>34</u>	<u>34</u>	<u>78</u>	<u>78</u>
	<u>3,492</u>	<u>3,678</u>	<u>3,325</u>	<u>3,538</u>

The upward movement in deferred income is due to a commercial contract with Liverpool City Council of £59,980 for the conservation of a sculpture of Edward VIII.

Taxation & social security includes an amount owing to HM Revenue & Customs of £232,000, and £14,000 (CIS).

12. Provision for Early Retirement:	2007	2007	2006	2006
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Balance as at 1 April 2006	0	0	0	0
Provision in year	156	156	0	0
Less payments in year	78	78	0	0
<b>At 31 March 2007</b>	<b>78</b>	<b>78</b>	<b>0</b>	<b>0</b>

This represents early retirements prior to 2006-2007. There were no staff members who took early retirement in 2006-2007, nil (2005-2006).

Of the £78,000 provision at 31 March; £44,000 is within by amounts falling due within one year and £34,000 within amounts falling due after more than one year.

**National Museums & Galleries on Merseyside**  
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**13. Financial Commitments** At 31 March 2007 NML had annual commitments under non-cancellable leases as follows:

	<b>2007</b>	<b>2007</b>	2006	2006
	<b>Land &amp; Buildings</b>	<b>Other</b>	Land & Buildings	Other
	<b>£000</b>	<b>£000</b>	£000	£000
Operating leases which expire:				
Within one year:	-	-	-	4
In the second to fifth year	45	-	-	-
More than five years	<u>140</u>	-	-	-
	<u><b>185</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>4</b></u>

The increase in commitments is due to two operating leases; Dock Traffic Office and Juniper Street 2 building.

<b>14. Statement of Funds</b>	At 1	Income	Expend-	Revalua-	Transfers	At 31
	Apr-06	£000	iture	tions	£000	Mar-07
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>						
Designated funds						
Collection purchase fund (Free)	221	1	-	-	-79	<b>143</b>
Collection purchase fund	505	-	-	-	79	<b>584</b>
C&E admissions (Free)	111	-	-	-	10	<b>121</b>
Academic Publications (Free)	114	33	-12	-	-	<b>135</b>
Capital reserve	73,601	-	-1,932	5,194	-	<b>76,863</b>
Deferred govt grant ITF	555	-	-12	-50	-	<b>493</b>
Deferred government grant	22,686	2,800	-780	1,367	-	<b>26,073</b>
General capital	3,221	-	-284	-231	385	<b>3,091</b>
NMGM ITF	<u>4,194</u>	<u>0</u>	<u>-214</u>	<u>-217</u>	<u>0</u>	<u><b>3,763</b></u>
<b>Total designated funds</b>	<b>105,208</b>	<b>2,834</b>	<b>-3,234</b>	<b>6,063</b>	<b>395</b>	<b>111,266</b>
<b>General funds (Free)</b>	<u>3,484</u>	<u>21,368</u>	<u>-22,281</u>	<u>0</u>	<u>-395</u>	<u><b>2,176</b></u>
<b>Total unrestricted funds</b>	<u><b>108,692</b></u>	<u><b>24,202</b></u>	<u><b>-25,515</b></u>	<u><b>6,063</b></u>	<u><b>0</b></u>	<u><b>113,442</b></u>
<b>Restricted funds</b>						
Collection purchase fund	6,777	251	-	-	-	<b>7,028</b>
Development fund	1,753	3,122	-967	-	-1,448	<b>2,460</b>
Tomlinson Fund	0	1,555	-5	24	-	<b>1,574</b>
Development fund Capital	19,100	-	-734	1,068	1,448	<b>20,882</b>
Lottery Lutyens	3	-	-3	-	-	<b>0</b>
NMGM ITF - Lottery	29,721	-	-1,967	-2,092	-	<b>25,662</b>
MOL Lottery Capital	0	669	-	-	-	<b>669</b>
NMGM ITF - ERDF	3,970	-	-86	-390	-	<b>3,494</b>
ERDF Capital	0	162	-	-	-	<b>162</b>
Development fund ITF	2,612	-	-288	-185	-	<b>2,139</b>
NWDA ITF	1,290	-	-435	-	-	<b>855</b>
NWDA MOL	<u>5,094</u>	<u>953</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u><b>6,047</b></u>
<b>Total restricted funds</b>	<u><b>70,320</b></u>	<u><b>6,712</b></u>	<u><b>-4,485</b></u>	<u><b>-1,575</b></u>	<u><b>0</b></u>	<u><b>70,972</b></u>
<b>Total funds</b>	<u><b>179,012</b></u>	<u><b>30,914</b></u>	<u><b>-30,000</b></u>	<u><b>4,488</b></u>	<u><b>0</b></u>	<u><b>184,414</b></u>

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 35.

The significant transfers between funds during the year were £385,000 from the General Fund to the General Capital Fund (Fixed Asset Additions), £1,448,000 from the Revenue Development Fund to the Capital Development Fund (Fixed Asset Additions).

### **Reserves Policy**

The free income reserve available at 31 March 2007 was £2,575,000. The Trustees consider that sufficient funds are held in an appropriate form to enable each fund to be applied in accordance with any restriction imposed. NML are however subject to HM Treasury controls regarding the application of end-year flexibility (EYF) balances and historical reserves.

The Business Plan (2006/08) projections anticipated a decrease in free income reserves of £1,026,000 for the year 2006/07. The result for the year was a decrease of £1,355,000.

A provision for a repayment to HLF for the part demolition of the Museum of Liverpool Life and an accrual for the remaining Annual Compensation Payments to voluntary early retirements accounted for this variation.

### **Unrestricted Designated Funds:**

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

#### **Revenue:**

##### **Unrestricted**

Within this group are:

*Collection purchase fund* for additions to the collections.

*C & E Admissions fund* for the running costs and special projects associated with the HM Customs & Excise Museum.

*Academic Publications fund* for the production of professional material.

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

### **Capital Asset Funds: Unrestricted**

Within this group are:

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

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

*Deferred government grant 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.

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

*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.

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**Unrestricted General Funds:**

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

**Restricted Funds**

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

**Revenue: Restricted**

Within this group are:

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

**Capital Asset funds: Restricted**

Within this group are:

<i>NMGM ITF lottery</i>	for the purchase and development of fixed assets specific to the <i>NMGM ITF</i> project. The source of this fund is the Heritage Lottery Fund.
<i>NMGM ITF ERDF</i>	for the purchase and development of fixed assets specific to the <i>NMGM ITF</i> project. The source of this fund is the European Regional Development Fund.
<i>ERDF Capital</i>	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.
<i>Development fund / Development fund ITF</i>	for the purchase and development of fixed assets, including the <i>NMGM ITF</i> project. The source of this fund is charitable donations.
<i>MOL NWDA</i>	for the purchase and development of fixed assets, specifically the Museum of Liverpool project. The source of this fund is Northwest Development Agency.
<i>NWDA ITF</i>	for the purchase and development of fixed assets, specifically the <i>NMGM ITF</i> . The source of this fund is Northwest Development Agency.
<i>MOL Lottery capital</i>	for the purchase and development of fixed assets, specifically the Museum of Liverpool project. The source of this fund is Heritage Lottery Fund.
<i>Tomlinson Fund</i>	for the purchase and development of fixed assets for the Merseyside Maritime Museum, World Museum Liverpool and the Walker Art Gallery in accordance with the legacy of Mrs E M Tomlinson.

<b>15. Analysis of group net assets between funds</b>	Fund balances at 31 March 2007 are represented by:	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
	Tangible fixed assets	109,371	67,370	176,741
	Net current assets excluding cash	386	943	1,329
	Cash	3,685	2,659	6,344
		<b>113,442</b>	<b>70,972</b>	<b>184,414</b>
	Unrealised gains included above:			
	On tangible fixed assets and investments	6,063	-1,575	4,488

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**16. Customs & Excise National Museum**

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

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

NML receives from the HMRC an annual Grant-in-Aid payment which allows the National Collection to be displayed and interpreted alongside NML's other national collections. Payments by HMRC in respect of grant-in-aid are made from the HM Revenue and Customs Resource Account for 2006/07 which is audited and published separately.

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

**Capital Grants**

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

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

<b>Application of Funds</b>	£000
Total funds received as at 1 April 2006	1008
Funds received in year	<u>145</u>
<b>Total funds received as at 31 March 2007</b>	<u>1153</u>
Funds applied as at 1 April 2006	-858
Funds applied in year	<u>-22</u>
<b>Funds applied as at 31 March 2007</b>	<u>-880</u>
<b>Unapplied capital funding as at 31 March 2007</b>	<u>273</u>

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

**Running Cost Grant-in-Aid**

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

<b>Application of Funds</b>	£000
Unapplied funds as at 1 April 2006	14
2006-2007 Grant-in-Aid	392
Repayment of b/f balance	-8
Total Available GiA Funds	398
Funds applied to the running of the museum	<u>-342</u>
<b>Unapplied funds as at 31 March 2007</b>	<u>56</u>

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



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- 17. Gower St Estates Ltd.** NML is a member of Gower Street Estates Limited (7) a company formed to manage the areas within the Albert Dock formerly managed by the Merseyside Development Corporation (MDC).
- GSEL is a company limited by guarantee, the other members being the lessees within the Albert Dock Estate also affected by the abolition of the MDC, together with new lessees within the estate.
- The company is managed by a Board of Directors all of whom are appointed by the members. NML's nominated director is J Hendry, ARICS. J Hendry left in October 2006 and the nominated director position has been vacant since that date. Directors of the company are not remunerated.
- There are no employees of the company, the practical management of the estate being delegated to CB Richard Ellis.
- The gross expenditure of the company is netted down by any income generated, with the residual amount being covered by a service charge to members calculated by reference to an agreed cost sharing formula.
- NML's contribution for the year, under this arrangement, was £77,531.
- 18. Capital Commitments** The Trustees are developing a capital programme having a potential value of some £72m, deliverable over the period 2007/08 to 2010/11.
- Within this programme £64.2m of expenditure has been approved, of which £45.6m has been contracted for.

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**19. Cash flow information**

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

	<b>2007</b>	2006
	<b>£000</b>	£000
Net incoming resources before revaluations	<b>914</b>	1,278
Depreciation	<b>5,562</b>	6,390
Interest received	<b>-285</b>	-245
Gifts	<b>-160</b>	-268
Shares received in year	<b>-1,486</b>	0
Decrease/(increase) in stocks	<b>107</b>	-20
Decrease/(increase) in debtors	<b>-120</b>	1,225
Increase/ (decrease) in creditors	<b>38</b>	<b>41</b>
Net cash inflow from operating activities	<b><u>4,570</u></b>	<b><u>8,401</u></b>

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

Increase in cash in the period		
Movement in net funds in the period	<b>-365</b>	444
Net funds at 1 April	<b><u>6,709</u></b>	<u>6,265</u>
Net funds at 31 March	<b><u>6,344</u></b>	<u>6,709</u>

**Analysis of net funds**

	01-Apr 2006 £000	<b>Cash Flow £000</b>	<b>31-Mar 2007 £000</b>
Cash	<u>6,709</u>	<u>-365</u>	<u>6,344</u>

**National Museums & Galleries on Merseyside**  
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**20 .Related Party Transactions**

National Museums Liverpool is a Non-Departmental 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 transactions.

Additionally NML has conducted material transactions with other Government Departments and other central bodies; specifically the DBERR formerly DTI, Heritage Lottery Fund, National Heritage Memorial Fund, HM Revenue and Customs and the Millenium Commission.

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

<b>Name &amp; Position</b>	<b>Related Party</b>	<b>Position</b>	<b>Income from Related Party £</b>	<b>Payments to Related Party £</b>	<b>Nature of transaction</b>
Loyd Grossman	Liverpool Culture Company Ltd	Deputy Chairman	92,466		Sponsorship and donations towards painting commission. Of this £33,333 is a debtor.
			14,615		Personal donation plus gift aid towards International Slavery Museum. Of this £3,215 is a debtor.
Lorraine Rogers	Tranmere Rovers	Chairman		300	Sponsorship of a footballer at the football club
	Royal Liverpool Philharmonic	Chairman		1,000	Advertising and a choir performance
Bryan Gray MBE, DL	Northwest Development Agency	Chairman	11,250		Sponsorship of painting commission. Of this £3,750 is a debtor.

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			952,991		Grant funding for the Museum of Liverpool capital project. Of this £432,153 is a debtor balance.
Sir Neil Cossons OBE	English Heritage	Chairman	3,518		Donations towards exhibition guide and private view for "Merchant Palaces". Of this £1,018 is a debtor
Anil Ruia OBE	Granada Television Limited	Director	1,600		Contribution towards cost of cleaning Granada TV building
	University of Manchester	Trustee		600	Domain names renewal
	Northwest Development Agency	Board Member	952,991		Grant funding for the Museum of Liverpool capital project. Of this £432,153 is a debtor balance.
			11,250		Sponsorship of painting commission. Of this £3,750 is a debtor.

(b) Other NML Staff

John Edmondson	Council of the Linnean Society of London	Editorial Secretary Ex officio member	-5,250		Bad debt write-off
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**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
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**21. Contingent Liabilities**

There are no contingent liabilities.

**22. Post Balance Sheet Events**

**Events associated with the construction of the new Museum of Liverpool:-**

- The funding agreement in respect of the major NWDA grant was completed and signed on the 4 April 2007.
- In order to facilitate the construction of the museum and the extension of the Leeds/Liverpool canal 2 transfers of land were completed on the 4 April 2007. These were
  - 1). the transfer of a freehold interest in land from NWDA to NML and;
  - 2). The transfer of a freehold interest in land from NML to British Waterways Board

NML has not adjusted the financial statement to reflect these events.

On 29 October 2007 the contract for architectural services with 3XN UK Limited was terminated in relation to the Museum of Liverpool capital project. A procurement of new design team contracts is underway. There are currently no liabilities associated with the change of architect or in relation to any part of the Museum's major projects, including the Museum of Liverpool.

The financial statements were authorised for issue by the Accounting Officer on 11 December 2007.

**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.

During the year NML benefited from the estate of the late Mrs Elvira Mary Tomlinson. A residuary legacy resulted in an amount of £1,550,000 being transferred to NML in equities plus a very small amount of cash.

To facilitate the transfer of ownership and the subsequent management of the investments NML routed the transfer and management arrangements through Rathbone Investment Management. An account of the legacy settlement and of the movements against it has been prepared by Rathbone Trust Company Limited; the account has been audited by MacFarlane and Co, registered auditors.

The Tomlinson legacy forms part of the Museum restricted account and, the results and net assets of the fund are summarised below;

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2007**

**Statement of Financial Activities**

	Income	Capital Total 2007 Total 2006		
	£000	£000	£000	£000
<b>Incoming Resources:</b>				
Legacies	-	1,550	1,550	-
Investment income	5	-	5	-
<b>Resources expended:</b>				
Legacy handling costs				
Governance costs	5	-	5	-
Charitable Activities	-	-	0	-
<b>Net incoming / Outgoing resources</b>	<b>0</b>	<b>1,550</b>	<b>1,550</b>	<b>0</b>
Other recognised gains and losses	-	24	24	-
<b>Net Movement in Funds</b>	<b>0</b>	<b>1,574</b>	<b>1,574</b>	<b>0</b>
Fund Balances at 31 March 2006	-	-	0	-
<b>Fund Balances at 31 March 2007</b>	<b><u>0</u></b>	<b><u>1,574</u></b>	<b><u>1,574</u></b>	<b><u>0</u></b>
<b>Balance Sheet</b>				
Investments	-	1,510	1,510	-
Cash at Bank	3	65	68	-
Creditors	-4	-	-4	-
<b>Total Assets less current liabilities</b>	<b><u>-1</u></b>	<b><u>1,575</u></b>	<b><u>1,574</u></b>	<b><u>0</u></b>
<b>Fund Balances at 31 March 2007</b>	<b><u>-1</u></b>	<b><u>1,575</u></b>	<b><u>1,574</u></b>	<b><u>0</u></b>

During the year the Trustees expended £602,636 in respect of the distribution of capital and income to NML, this consisted of:

	£
Distribution of income	2,636 for application to ISM One
Distribution of capital	600,000 for application to ISM One
	<b><u>602,636</u></b>

**24.**  
**Investments**

**Year ended 31 March 2007**

<b>Summary</b>	<b>£000s</b>
Carrying value (market value) at beginning of year	0
Add:	
Additions to investments at cost	1,486
Less:	
Disposals at carrying value	0
Add/deduct:	
Net Gain/(Loss) on revaluation	<u>24</u>
 Carrying value (market value) at end of year	 <u>1,510</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.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2007**

The 2006-07 accounts of the following statements do not fall within the remit of the Comptroller & Auditor General's opinion.

<b>Consolidated Free Funds for the year ended 31 March 2007</b>	<b>2007</b>	2006
	<b>£000</b>	£000
<b>Incoming resources</b>		
Grant-in-aid DCMS	<b>18,403</b>	17,380
Incoming resources from generated funds:		
Grants and Donations	<b>75</b>	26
Merchandising Income of subsidiary company	<b>1,750</b>	1,702
Investment Income	<b>231</b>	203
Incoming resources from charitable activities	<b>943</b>	1,296
<b>Total incoming resources</b>	<b>21,402</b>	20,607
<b>Resources expended</b>		
<b>Costs of generating funds;</b>		
Fundraising costs	<b>528</b>	401
Costs of subsidiary company merchandising	<b>1,976</b>	1,891
Charitable activities;		
Operating expenditure (excluding depreciation)	<b>18,734</b>	16,748
Grants to Third Parties	<b>238</b>	233
Activities of charity staff	<b>572</b>	706
Governance costs	<b>245</b>	224
<b>Total resources expended</b>	<b>22,293</b>	20,203
<b>Surplus on free income funds before transfers between funds</b>	<b>-891</b>	404
<b>Transfers to designated funds</b>	<b>-464</b>	-726
Surplus/(Deficit) on free income funds for the year	<b>-1,355</b>	-322
Balance brought forward at 1 April	<b>3,930</b>	4,252
Balance carried forward at 31 March	<b>2,575</b>	3,930
The balance on free income funds comprised:	<b>2,007</b>	2006
	<b>£000</b>	£000
Collection purchase fund	<b>143</b>	221
C & E admissions	<b>121</b>	111
Academic Publications	<b>135</b>	114
General funds	<b>2,176</b>	3,484
Balance at 31 March	<b>2,575</b>	3,930

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