

National Museums and Galleries on Merseyside
Annual Report and Accounts 2009-2010

National Museums and Galleries on Merseyside Annual Report and Accounts 2009-2010

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

Ordered by the House of Commons to be printed on 4 April 2011

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

ISBN: 9780102971408

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

ID: 2424716 04/11 10969 19585

Printed on paper containing 75% recycled fibre content minimum

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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.

The Annual Report and Account represents the ARA for the museum consolidated with the wholly owned subsidiary trading company.

**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). The DCMS became the principal regulator of NML on 1 June 2010.

The financial statements have been drawn up in accordance with the Accounts Direction and are in compliance with the Charities SORP 2005 and the HM Treasury Financial Reporting Manual (FReM).

Trustees

The Board of Trustees during the year comprised:

Professor Phil Redmond CBE Chairman
Sir Neil Cossons OBE (term expired 13 November 2010)
Sir Robert Crawford CBE
Jonathan Falkingham (term expired 21 May 2010)
Bryan Gray CBE ML
Professor Chris Green (term expired 31 March 2010)
Rt Revd James Jones (appointed 21 July 2009)
Nisha Katona
Norman A Kurland
Alexis Redmond
Gillian Reynolds MBE (resigned 12 September 2009)
Anil Ruia OBE JP (term expired 23 April 2010)
Eva Wisemark (term expired 20 January 2010)
Brian Wong

**Trustee
Committees**

The following Trustee committees met during the year: -
Audit Committee, Chair – Bryan Gray
Museum of Liverpool Project Committee, Chair – Jonathan Falkingham (to 21 May 2010), replaced by Phil Redmond from 22 May 2010
Development Trust, Chair – Professor Phil Redmond CBE
Finance Committee, Chair – Alexis Redmond
Remuneration Committee, Chair – Bryan Gray

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

Related party transactions are shown in note 20 on pages 74-75.

Open Government NML complied with the requirements of the *Freedom of Information Act 2000*. NML's publication scheme can be found at www.liverpoolmuseums.org.uk/about/foia/ps_museuminfo.asp.

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

Principal and Registered Office of NML
 World Museum
 William Brown Street
 Liverpool
 L3 8EN

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

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

Trading Company
 MacFarlane & Co
 Cunard Building
 Water Street
 Liverpool
 L3 1DS

Solicitors

Halliwells LLP 100 Old Hall Street Liverpool L3 9TD to 19 July 2010 business transferred to Hill Dickinson and Gateley Wareing	Mace and Jones 19 Water Street Liverpool L2 0RP for employment law	E Rex Makin & Co Whitechapel Liverpool L11HQ for compensation claims	Hill Dickinson LLP No.1 St Paul's Square Liverpool L3 9SJ
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HBJ Gateley Wareing 98 King Street Manchester M2 4WU	DWF LLP 1 Scott Place 2 Hardman St Manchester M3 3AA
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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

The DCMS provide the majority of revenue funding to NML. 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 risks facing NML by receiving and considering reports on specific risks, in specific projects, identified within the papers submitted to the Board and Trustee Committees during the year.

The Trustees have due regard to the guidance published by the Charities Commission.

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

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

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

The Executive Director of Finance (Tony Allen);

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

The Executive Director of Collections Management (John Millard retired 30 May 2010, position vacant);

The Executive Director of Education, Communities and Visitor Services (Carol Rogers) and;

The Director of Human Resources (Maxine Carden).

There is an Executive Team which comprises the Directors, and the Secretary to the Board of Trustees.

The Executive Team reports to the Board of Trustees, and to other committees of trustees, in accordance with an annual committee cycle;

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where urgent business requires meetings outside of the meeting cycle these are arranged as required. The Director, David Fleming, attends each Trustee committee meeting.

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

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

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

The National Conservation Centre – Whitechapel, Liverpool was closed to the public on 17 December 2010.

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 268 managers having completed the programme.

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

In 2009/10 a total of 101 appointments were made and of these: -

- 62.3% were women;
- 9.9% were disabled people; and
- 7.9% were non-white British.

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

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

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

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

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

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

Disabled Persons

NML and its subsidiary trading company continued to apply established

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policies toward the employment, training and development of disabled persons. Staff are actively encouraged to become involved in the assessment of policies affecting the employment, training and personal development of people with disabilities, through NML's Diversity Working Group. NML will facilitate an occupational health and workplace assessment to consider any reasonable adjustments necessary to be able to perform the role for both job applicants and existing employees who have a disability. There are currently 53.6 full-time equivalent employees of NML, who consider themselves disabled.

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

The staff Access Action Group monitors the organisation's provision for disabled people. Access standards for display design and public use of buildings have been produced and are available to staff in electronic form, and supplied to designers on appointment.

The Disability Advisory Group is a group of disabled people who met throughout the year to assess NML's sites and discuss improvements with staff. A Disability Equality Scheme has been developed by staff and the Advisory Group.

Investors in People

NML originally received the prestigious Investors in People award in 1994 and then successfully retained this standard in its subsequent triennial re-assessments, in 1997, 2000, 2003, 2006 and June 2009. The standard has provided a framework within which staff are offered the training and development they require and NML's policies and procedures can be constantly reappraised. This award has added to the success, and also raised the profile, of the organisation as a whole. The standard continues to be an important measure of NML's commitment to, and success in, the training and development of its staff.

Staff Resource Strategy

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

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

Volunteer Programme

Volunteers make a significant and diverse contribution to the success of NML. Over the year, we received the support of 502 volunteers, contributing over 78,786 hours which is the equivalent of approximately 41 full time posts. Volunteers support us in all areas of the organisation in roles which range from administrative, curatorial and conservation assistance to assisting with visitor services and education and communities.

NML's "v" (Volunteering Opportunities for Young People) funded volunteer programme has enabled us to inspire 131 young people (aged 16-25) to be involved in the organisation, and has particularly enabled us to specifically target and support young people from hard to reach backgrounds.

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Health & Safety Policy

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

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

Research

In September 2009 the Arts and Humanities Research Council awarded the status of Independent Research Organisation (IRO) to NML, and in March 2010, two NML nominees were accepted as members of the Arts and Humanities Research Council (AHRC) Peer Review College, a body of experts which scrutinizes research proposals in respective fields of expertise.

NML's Research Working Group oversaw research projects throughout the organisation and supported the work of the Head of Research in, for example, obtaining research strategies from each of the curatorial divisions of NML.

Among publications and online catalogues produced during the year are:

- *Top of the Top End* by NML's Curator of Vertebrate Zoology, and John Calaby was published by the Museum and Art Gallery of the Northern Territory, Australia, with support from NML. It records the work of the English collector John Gilbert in Northern Australia between 1840 and 1841.
- *Titanic and Liverpool* was launched at the Merseyside Maritime Museum on 26 November 2009 by Liverpool University Press. It was written by NML's curator of Ship Models and is the first book to deal explicitly with the relationship between the Titanic and her home port of Liverpool.
- A catalogue of Chinese ceramics went onto the NML website during the summer.
- *The Huxley Viking Horde* was published at the end of 2009.

Review of Activities

Development Office

The Development Office is structured to meet agreed fundraising objectives – with a team of fundraisers (specialising in public sector, trusts and foundations, corporate and major individual giving), supported by a small database, research, and CRM (Customer Relationship Management) team, and those co-ordinating and managing cultivation and supporter events. The Development Office sits as part of the Development and Communications Directorate.

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The Development Office team identifies the prospect pool and resources required to raise the funds based on a range of criteria including:

- Size of the prospect pool – ratio of ask to success in previous or similar campaigns will help determine the size of the prospect pool – the number and quantum of ask that needs to be made to meet the fundraising target;
- Resources – applying the years of expertise on prospect research to quantify the number of hours in research and cultivation (e.g. events, stewardship) that will be required for each prospect;
- Moves management – classifying existing contacts into the stages of giving – to determine the likely timescale for giving. This a particularly valuable approach when targeting major individuals or corporates.

The team continually monitor performance against objectives.

National Museums Liverpool had a successful fundraising year in 2009/2010 and still remains one of the highest performing museums for fundraising in the UK outside London. We are very grateful to all the individuals and organisations that give in support of NML's work.

Major Capital schemes

The new Museum of Liverpool and the International Slavery Museum Education and Exhibition Centre continue to be National Museums Liverpool's priority for fundraising within the Development Office.

Annual Programmes

Money raised towards NML's annual programme of activities helps to offset funding that NML needs to open it's doors and to add significant value to our service – including exhibitions, printed material, as well as education and outreach programmes.

Collections

Work continued on computerising areas of the collections. For example 18,000 physical science and horology catalogue records were transferred to NML's MIMSY XG computerised record system.

NML's collection management systems and practices were audited as part of a rolling programme of systems audit for the organisation. A number of policies and procedures were updated as a result of the audit.

New Activity Rooms at the Lady Lever Art Gallery opened on the 13 February 2010. It offers an informal friendly environment, and includes a number of exhibits from Lord Leverhulme's collections.

On 5 February 2010 Ancient Greek collections went back on display in the World Museum in a display on floor 3 of the World Museum.

42,000 records of clockmakers, watchmakers and scientific instrument makers in the North West are going live on NML's web site.

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A group of staff had been looking at how to create a new more economical, affective and accessible storage for NML's collections. The project, entitled *Superstore*, has entailed an options appraisal, visits to museum facilities in the UK and presentations to the Executive Team and Trustees of NML. On 25 February 2010 six of NML's venues were formally 'accredited' under the scheme run by the Museums, Libraries and Archives Council.

World Museum (754)
Walker Art Gallery (755)
Lady Lever Art Gallery (756)
Sudley House (757)
Merseyside Maritime Museum (758)
National Conservation Centre (2224)

Accreditation is the standards scheme that is run by the Museums, Libraries and Archives Council. It is a basic standards scheme and looks at all areas - governance, public services, collections management etc. The above sites have been annotated with their respective accreditation number. Accreditation for the International Slavery Museum (2246) was awarded in Autumn 2010.

As part of the accreditation process, NML revised the Acquisition and Disposal policy, but we are starting a review of the individual divisional collecting plans which will compliment this.

The staff Storage and Decant Group worked on rationalising stored collections, including the long-term loan out of large computers, arrangements to re-store horological collections formerly housed at Prescott Museum, and photography of all oil paintings by the Public Catalogue Foundation.

Acquisitions

NML's International Slavery Museum started a new dimension to the collections when Anti-Slavery International donated an ankle bracelet 'worn' by a modern day domestic slave girl in Niger. It represents the importance of International Slavery Museum's work in developing its collections in this area and campaigning on the issue of contemporary forms of slavery.

On 29 May 2009 a selection from the 2007 donation of 128 *netsuke* (Japanese miniature toggles) from the collection of the late Jonas Goro Gadelius went on show at World Museum. Mrs Gabita Gadelius who generously donated the collection also gave £30,000 for the display, and gave a further 60 *netsuke* to NML's collections in April 2009.

In October 2009 the Blakes Benevolent Fund trustees donated a Victoria Cross named to Sergeant David Jones 12th Battalion Kings Regiment, 1916. The Victoria Cross had been looked after by NML for some time, it now forms part of our permanent collection.

Loans

Long-term loans-in include two Stubbs paintings from the Grosvenor Estate - *Mares and foals beneath large oak trees* and *The Grosvenor Hunt* - and four paintings from the Trustees of the Lowther Estate Trust - a large Jan Steen *Interior with the Artist Eating Oysters*, a small painting on copper *Preparation for a Dance (Children Dancing)* attributed to one of the Le Nain brothers, Etienne Jeaurat's *Interior of a Boudoir* of 1769 and Louis Gauffier's 1795 portrait of the celebrated English singer *Mrs. Billington*.

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On 29 March 2010 a display of another new long-term loan, Red Rum's jockey's colours, was launched by his trainer Ginger McCain at World Museum. They went on display a week before the Grand National at Aintree.

Exhibitions
April 2009 – March
2010

We delivered a wide range of exhibitions across National Museums Liverpool during 2009 -10.

World Museum

The year opened at World Museum Liverpool with our headline exhibition *The Beat Goes On*, which originally opened on 12 July 2008 and closed on 1 November 2009. It explored Liverpool's musical identity over the last 60 years, its successes and its continuing evolution. Visitors learnt about the remarkable achievements of Merseyside artists from across the years; people who had influenced generations of musicians, they listened to jukeboxes, mixed their own tracks, strutted their stuff on our dance floor and tuned into the vibe that is Liverpool music. The exhibition proved to be very popular, especially with 13-18 year olds. There was a strong on-line presence with a permanent resource charting the history of Liverpool Music and an online MySpace jukebox where visitors were able to vote for their favourite local bands.

A much smaller exhibition, *Darwin Today*, opened on 13 June 2009 and closed on 26 July 2009. It came on tour to World Museum from the Research Council (UK) and was designed to introduce visitors to the place Darwin's theories have in current research. It was one of a number of Darwin related events running throughout 2009 at the venue.

Plantastic is our latest science interactive exhibition. It opened on 12 February and ran until 5 September 2010. The exhibition explored the secret world of plants and their importance to the survival of our planet and is targeted at 7-14 year olds and their families. It was our first international collaboration for exhibitions and has been produced with the Museon in The Hague, Technopolis in Mechlen, Le Vaisseau in Strasbourg and Bruns in Eindhoven but was project managed and designed by NML.

Coinciding with the *Plantastic* exhibition was *Biodiversity* which opened on 18 February and ran until 5 December 2010. This small science exhibition looked at the importance of biodiversity in the world around us. It was created by the Biotechnology and Biological Sciences Research Council and the Natural Environment Research Council. It was designed to support a series of events planned as part of World Museum's *Wild Wild World* programme for the International Year of Biodiversity in 2010.

Walker Art Gallery

We opened the year at the Walker Art Gallery with two modern art displays:

Fashion V Sport, from the V&A London, ran from 13 February to 31 May 2009. It explored the creative connections between the two worlds of fashion and sport. Alongside this exhibition we presented *George Always: Portraits of George Melly by Maggi Hambling*. The Liverpool artist, writer and jazz musician George Melly was captured in the work of his friend and artist Maggi Hambling.

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During the summer we played host to *Cecil Beaton: Portraits* which opened on 26 June and ran until 31 August 2009. This exhibition from the National Portrait Gallery in London brought together a selection of portraits from five remarkable decades of Beaton's career. Definitive portraits of 20th century celebrities were shown alongside more sombre works from his time as a war photographer. We also staged an exhibition drawn from our own collections. The exhibition entitled, *New Radicals: From Sickert to Freud*, ran from 10 July to 20 September 2009. It focused on the Walker Art Gallery's impressive collection of early 20th century British masterpieces and included works by members of the Camden Town and London Group, and works by independent figures including Ceri Richards, L.S. Lowry, Cecil Collins and Stanley Spencer.

The autumn/winter programme began with *Flashback: Bridget Riley* which opened on 25 September 2009 and closed on 13 December 2009. It was the first in a new series of monographic exhibitions from the Arts Council Collection bringing together outstanding early works by high profile British artists, and setting them against major recent works borrowed from the artists themselves. The series launched with internationally renowned abstract painter Bridget Riley. It tracked her career from its sensational beginnings in the early 1960s, to the ambitious and powerful works of recent years.

Coinciding with Bridget Riley, we produced a further exhibition drawn from NML's own art collections. *The Rise of Women Artists* opened on 23 October 2009 and continued until 31 August 2010. Tracking the historical changes influencing women artists, this exhibition explored the similarities and differences between the status and careers of women working in different areas within the fine and decorative arts fields as reflected in the collections of the Walker Art Gallery.

The final exhibition of the 2009-10 programme at the Walker was *Aubrey Williams: Atlantic Fire* which opened on 15 January 2010 and ran until 11 April 2010. The exhibition celebrated the achievements of Guyanese-born Williams who became an important international artist. His work includes influences and elements as diverse as American abstract painting, Amerindian symbols, and the music of Shostakovich. The exhibition was produced in collaboration with the October Gallery in London and represents the first solo show of a black artist at the Walker. This exhibition is part of 'Liverpool and the Black Atlantic', a city-wide series of exhibitions and events.

Lady Lever Art Gallery

The 2009 -10 programme at the Lady Lever began with the last two months of *French Impressionists* which opened on 20 February and closed on 31 May 2009. Visitors had the opportunity to see works from the National Museum in Stockholm by Renoir, Monet, Degas and Rodin, together with a small selection of material from NML's own collection. The exhibition proved to be very popular and helped to raise the profile of the venue. This was followed by another equally successful show, *Whistler: the Gentle Art of Making Etchings* which opened on 3 July and closed on 4 October 2009. This exhibition was drawn from the University of Glasgow's world-famous Whistler collection and included the artist's working tools, copper plates,

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and rare archival material. The final exhibition of the year was *An Edwardian Family Album* which opened on 23 October 2009 and ran until 3 May 2010. The exhibition provided a fascinating glimpse into the life and leisure of a Wirral family during the Edwardian era.

Sudley House

At Sudley House our special exhibition was *A Sweet Life: Fashion in a Liverpool Sugar Merchant's Family* which opened on 9 April 2009 and closed on 7 March 2010. The exhibition provided a fascinating insight into the family life of Emily Tinne, whose amazing wardrobe of clothes reflects a vanished world between 1910 and 1940. The exhibition used unpublished family letters to reveal the day-to-day life of Mrs Tinne and her family and featured 21 outfits including evening wear, day wear as well as children's clothes and accessories.

Merseyside Maritime Museum

At the Maritime Museum we saw the final 6 months of Magical History Tour. The exhibition, which had originally opened on 28 July 2007, closed on 27 September 2009. Despite its long run, this exhibition which took visitors on a journey of discovery through 800 years of Liverpool's history remained consistently popular with visitors. It traced the evolution of the city from its prehistoric roots to its emergence as a Victorian metropolis of global importance.

Magical History was followed by *China: Through the Lens of John Thomson 1868-1872* which opened on 5 February to coincide with Chinese New Year and ran until 1 June 2010. It is an exhibition of 150 photographs taken by John Thomson, the legendary Scottish travel writer and photographer on his journeys through China between 1868 and 1872. Thomson was able to capture people and street life in a most natural way and as such his photographs form a unique archive of 19th Century China. The glass plate negatives from which the exhibition is drawn are now housed in the Wellcome Collection Library in London.

International Slavery Museum

Our first full year of programming at ISM began with *Shoot Nations* which opened on 17 January and continued until 2 August 2009. A photographic exhibition from Plan International, it focused on the theme of 'Young people in a changing climate'. The images were selected by competition from over 1500 photographs from 106 countries, sent in by young people aged between 11 and 24 years.

Shortly afterwards on 2 February we opened our first community display *My Life, My Words* which continued until 26 July 2009. It featured the memories and experiences of three elders of Liverpool's Black Community who told their own stories in relation to the City and the legacy of the transatlantic slave trade. It was followed on 31 July by *Trafficked*, an exhibition highlighting the ongoing struggle to combat human trafficking around the world, through the experiences of people whose lives have been affected by this modern day slave trade. This exhibition has been put together by the international coalition 'Stop The Traffik' in partnership with the International Slavery Museum.

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On a slightly larger scale, we opened *Black Britannia* on 7 August 2009 and this continued until 28 February 2010. An exhibition of photographs by John Ferguson, it showcased the achievements of successful black Britons. Farmers, teachers and fire-fighters featured alongside celebrities such as Naomi Campbell, Sir Trevor McDonald and Frank Bruno. The final exhibition was *Beyond the Boundary* which opened on 19 March and continued until 12 September 2010. It was a small graphic exhibition examining the relationship between cricket, culture, class and politics and looked at how cricket can be seen as a legacy of British imperialism and colonialism.

National Conservation Centre

The year which has been dominated by a strong Liverpool theme began with *Sound and Vision: Music and Fashion by Francesco Mellina* which opened on 1 May and closed on 31 August 2009. It featured images of the Liverpool music scene taken by the Italian born, Liverpool photographer, Francesco Mellina between 1978 and 1982. The exhibition was one of the most popular we have staged at NCC and Francesco's talks were very well attended.

This was followed with *Liverpool People by Stephen Shakeshaft* which opened on 18 September 2009 and ran until 24 January 2010. Liverpool Daily Post and Echo photographer Stephen Shakeshaft has been capturing the lives of local people since the 1960s. This exhibition featured an engaging selection of his portraits and candid shots of the people of Liverpool.

The final exhibition of the year was *Lewis's 5th Floor: A Department Story* which opened on 26 February and ran until 30 August 2010. This photographic exhibition by local photographer Stephen King provided a glimpse of the Liverpool store during its heyday when it was a glamorous place to be, attracting the rich and famous. The exhibition included images of 1950s interiors alongside photographs of present and former employees.

Touring Exhibitions

Eye for Colour opened at Le Vaisseau in Strasbourg on 22 September 2009 where it remained until 28 August 2010. This exhibition has been on tour since September 2006. It is a science interactive exhibition exploring the wide variety of colour in the world around us. It was produced by National Museums Liverpool for eTEC (the ebsite-uk travelling Exhibitions Consortium) and was funded by the Millennium Commission through a ReDiscover grant.

Hello Sailor opened at the Tall Ships in Glasgow on 4 September and continued until 29 November 2009. This small exhibition was originally produced for the Maritime Museum in 2006 and has been on tour to a number of venues since March 2007. The exhibition takes a light hearted, sensitive look at life on board passenger and merchant ships at a time when homosexuality was illegal, and for gay men there were few places to be safe.

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**Education,
Communities and
Visitors**

As part of our ongoing Visitor Services Review (VSR) we have renamed our front of house services to form the **Directorate for Education, Communities and Visitor Services (ECV)**.

Our Education and Community programme 2009/10 delivered an exciting and universal programme, which provided access to a wide range of educational activities for early years, primary and secondary schools, special education schools, the Youth Service, FE and HE students, international students, adult learners, voluntary sector organisations and diverse community groups.

Our external partnerships were extended through new collaboration with local education authority providers, the regional cultural sector, voluntary sector partners, national museum partners and international partnerships.

We recorded an excellent year's performance with 341,850 children and young people, 169,403 adults and community groups, participating in our programme. This represents a 19% increase on 2008/09, which we are delighted with.

Programme Highlights

As part of the NML 'Find Your Talent' year two programme, we created an educational outreach project *Ancient Egypt Adventures*, in partnership with a team of renowned creative practitioners brought together by Hope Street Ltd. The programme began in October and delivered a 27 week tour to sixty-three primary schools in Knowsley, Liverpool and St. Helen's. The response from schools has been outstanding:

"Just to let you know that we hosted the first session of the Egypt Project today in school. I would not wish to be charged with exaggerating but it was outstanding. The children were talking about it throughout the day and it clearly had a positive and educational impact on them. I expect this will be a thorough success on the road and cannot imagine any school not being delighted with it. Well done and please pass on my comments to whoever may need them." Gary Mason, Head teacher, Matthew Arnold Primary School.

We extended our **Big Art** Parent and Baby mornings to two sessions per week and from November 2009 we have seen steady growth in take up and have regularly attracted an audience of 30 children (under 4 years) and 30 adults each week. We have also introduced family friendly **Prams and Pushchairs** tours which are aimed at parent / carers with small children who don't usually attend our adult events programme as they worry that they might interrupt the session in some way. Building on the success of our pilot session these tours have now become part of our core offer.

Our innovative *Rush* education programme (developed in response to concerns from teachers and youth leaders about the growing impact of drugs misuse on young Merseyside people and their families) was recognised with a prestigious award at the national Kids Count Inspiration Awards 2010. Members of the Education team were presented with the award at a House of Commons ceremony attended by leading politicians and sporting celebrities including Olympic Gold Medalist Linford Christie who stated: *"It's an honour to be part of such a great initiative. All of the*

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winners this evening are champions in their own right and Rush is an inspiration to others, both young and old."

In 2009 the programme was attended by 600 year 8/9 students, 50 young people from (Not in Employment, Education or Training) NEET groups and 15 visitors from the Workers Educational Association.

The Planetarium is delivering more shows than ever and achieved a new record of 90,600 visitors, more than 10% up on last year which was itself a record. Two new shows, *Magnificent Desolation* which celebrated the Apollo moon landings and *The Summer Night Sky* which highlights the stars and constellations prominent at that time of year, have also contributed to its success.

We were delighted that one of our Visitor Service Managers (from Sudley House) won the 'Outstanding Customer Service' awards at the Liverpool Ambassador awards and went forward to represent NML at the Merseyside Customer Care awards in April 2010.

Developing Education and Community Audiences

A series of special summer events at the Waterfront proved very popular during the year. In July, the Merseyside Maritime Museum had an overwhelming response to its pirate-themed weekend, over 1,750 people participated. In August, we staged *Dockwatch*, a family fun event wherein just under 5,000 visitors enjoyed 5 days of close up interaction and live coverage of the flora and fauna of the Albert Dock.

World Museum contributed to *Learning Disabilities Week* in June with a highlight talk 'Logically Illogical' from Ros Blackburn, who was diagnosed as 'very severely autistic' but with 'average intellectual ability'. Ros lectures nationally and internationally sharing perspectives on her own experiences and care and education practices she has observed. The event sold out within a few days and had a waiting list of over fifty which has encouraged us to plan for similar events.

During October 2009, the Black History Month, the International Slavery Museum supported a HLF Young Roots project entitled "Behind the Golden Gates", which involved eight Warrington High Schools. Working alongside a professional production company and local historian, the young people researched Warrington's role in transatlantic slavery and produced a 30 minute film based upon their findings. A special film screening was attended by 180 visitors.

The education programme for Black History Month at the International Slavery Museum culminated with a glamorous evening of music and dance in the newly refurbished Maritime Dining Rooms. "Strictly Come Dancing with the Jiving Lindy Hoppers". We were pleasantly surprised by how many people volunteered to participate in the dance workshops and hope to offer similar events in the future.

For *International Women's Day*, the Communities team delivered a programme of events to recognise female achievement. Three new plaques were unveiled on the Black Achievers Wall at the International Slavery Museum; Aretha Franklin, Diane Nash and Andrea Levy took pride of place

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and joined a growing list of esteemed great Black achievers. Visitors also attended a series of talks looking at heroines of the civil rights movement and a presentation from the artist Rachel Wilberforce - a representative of the Olive Morris Collective.

In February 2010, 800 visitors enjoyed a vibrant and exhilarating lion dance performance from the Liverpool Hung Gar Kung Fu Club, to mark the opening of the Maritime Museum's 'China through the lens of John Thomson' photography exhibition and Chinese New Year.

In March 2010, Visitor Hosts at the Walker Art Gallery, provided information tours for local taxi drivers to encourage them to promote the gallery and other NML venues to their passengers.

Developing our Education, Community and Visitor Service Programme

During the year, the UK Border Agency National Museum education team attended the *Be Safe* Weapons Awareness course which is supported by the UK Home Office. NML is now licensed to deliver this programme to young people across the country and is the only cultural organisation in the North West licensed to deliver the programme. In 2009-10 the project was delivered to 367 young people including pupil referral units and NEET groups. In addition 443 young people participated through outreach activity (including the Urbeatz Conference, Hugh Baird College and Speke Detached Youth Project).

As part of the *Dadafest* (disability arts festival) our Communities team developed multi-sensory Touch Tours focusing on the sculpture collections at the Walker and Lady Lever Art Galleries. The tours were specifically devised to engage visually impaired and Special Educational Needs (SEN) audiences and include an opportunity to explore the sculptures by touch. As a result the Education team have delivered Touch Tours for groups including 30 pupils from The Royal Liverpool School for the Blind.

World Museum education team supported teacher trainee students from Edge Hill University to access out of the classroom learning experiences at our venues. In return, the university offered 15-20 places for our ECV team to receive training at University venues.

We successfully bid for a Museum Libraries & Archives Council funded creative apprenticeship fund and recruited two young people in December 2009. The apprentices will gain experience in Community Arts Management and Cultural and Heritage Venue Operations.

We completed our first year of the International Slavery Museum Teachers' Institute, which engaged nine serving teachers, trainee teachers and partners from Hope University and the University of Liverpool in a ten-day institute at a rural arts college in the village of Kokrobitey in Ghana. The institute was delivered in partnership with the Gilder Lehrman Institute, USA and Kokrobitey Institute. This was an excellent learning experience for all, not least in enabling everyone to visit the slave ports and sites of memory together, thus placing theory into a very real context. We look forward to taking the project into year two.

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The Walker Art Gallery and Edgehill University became Associate partners of the National Gallery's *Take One Picture*. This year the Walker delivered placements for 30 Edgehill Initial Teacher Trainee students. As a result we have engaged 918 pupils and 87 PGCE students.

The *Slavery Remembrance Day Festival 2009* returned to the waterfront with over 4,000 visitors participating in a weekend of events. We delivered a sell-out lecture by internationally-renowned civil rights activist Diane Nash at the Liverpool Town Hall and a packed programme at the waterfront site.

We hosted the Specialist Schools Academies Trust conference at the Maritime Museum, exploring the value of learning in museums. The conference attracted 35 delegates largely from secondary schools across the Northwest. Speakers from the Trust and several local museums presented case studies around collaborative working.

Over the summer of 2009 the Art Galleries Education team delivered a series of 4 lectures in partnership with the University of Liverpool which engaged 292 adults. The University supports the partnership by providing lecturers to deliver sessions inspired by the Art galleries collections and through covering fees. They also promote the lectures as part of their Continuing Education programme which has succeeded in raising the profile of our adult events programme as a whole.

Musica in Accion in Europe is a new partnership of four European organisations that aims to help museums develop interactive ICT tools to promote music-based learning activities. The lead partner is the Museo Interactivo de la Musica, Malaga and the NML Education team is one of four co-beneficiaries. The project will run for two years with 50% funding from the EU culture and 35% funding from Malaga Town Council.

We secured a further two years funding for our *Engaging Refugees and Asylum Seekers* (ERAS) and *Understanding Slavery* projects from the DCMS/DCSF Strategic Commissioning strand. ERAS also won the Yorkshire Bank 150th *Community Arts Award* in the Regeneration category. The award supports activities and initiatives that build and strengthen the communities in which we operate.

We launched a new *Volunteer Tour Guides* initiative at the Walker Art Gallery, to successfully train 12 volunteers to deliver highlights tours for adult audiences. The guides delivered tours 3 days a week and in total they engaged 187 adults and 8 children. A Volunteer Guide Tour is now regularly available every Friday at the Walker.

The Visitor Services team at the Merseyside Maritime Museum also launched a new guided tour programme to the *Liverpool Old Dock*. This is a partnership initiative with *Liverpool One* (major new inner city retail group). NML is providing front of house support linked to the Maritime Museum visitor offer.

Our newly developed Central Events Management System (CEMS) developed to provide NML with a venue integrated schools booking system is now live and accessible across all venues for Education, Communities, Visitor Services and Trading staff.

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During Easter 2009 the tug boat *Brocklebank* opened to the public for the first time during the school holidays. Tours were delivered by the volunteer crew working with the education team from Merseyside Maritime Museum. 1,500 adults took part in public tours of *Brocklebank* during 2009-2010.

During the year the Aquarium collected native livestock including broad nosed pipefish, large edible urchins and a new shoal of cod. Display tanks have been refurbished for the new animals to make them more visible to visitors. New live animal displays were also introduced in the Bug House while the entomology displays were revised in the Clore Natural History Centre (CNHC)/Bug House area.

Developing Education and Community Spaces

The *Lady Lever Activity Rooms* opened over February half term with an action packed programme of family events inspired by the Chinese New Year. The opening celebrations included dragon dance performances and a programme of family workshops that saw 3,871 visitors taking part in activities.

The Museum of Liverpool *Early Years* stakeholder group have been meeting every six weeks to develop content and programming for the 'Little Liverpool' gallery and the wider gallery experience. The group visited the site to see how their suggestions have been developed into interactive and learning resources. They found it extremely easy to relate the physical space to their recommendations. As one member said, 'It is amazing to see how our ideas have turned into actual reality, I am so proud to be involved in this magnificent building.'

Fundraising

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

- The European Regional Development Fund, Northwest Regional Development Agency and Heritage Lottery Fund for the new Museum of Liverpool
- The Art Fund for various works including Ben Johnson's 'The Liverpool Cityscape' Preparatory Studies, Nancy Davenport 'Workers (leaving the factory)', the Tibetan contemporary paintings/textiles and the Contemporary Miao costume and textiles
- The Molly Tomlinson Bequests and Northwest Regional Development Agency for the new Titanic display
- Bruns, Technopolis, Museon and Le Vaisseau for *Plantastic!*
- Creativity, Culture and Education for Find Your Talent
- The Northwest Regional Development Agency for *Through the Wall*

Other trusts, foundations, organisations and individuals gave smaller gifts, in particular DCMS/DCSF Strategic Commissioning, the DCMS/Wolfson Museums & Galleries Improvement Fund and the Rank Foundation.

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

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members scheme during 2009/10 including; Austin – Smith: Lord, Bolland & Lowe, David M Robinson Ltd, Finch Advertising, Halliwells, Hill Dickinson LLP, The Mersey Docks and Harbour Company - Peel Ports, R S Clare & Co Ltd, Think Advertising and The University of Liverpool.

NML's Membership Scheme continues to grow with over 800 members in 2009-10.

Development Trust

The fundraising activities of NML continued to receive valuable support from members of the Development Trust.

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

Economic Impact

A report written in 2008 by England's Northwest Research Service which specialises in economic development and the tourism industry commented;

The impact of National Museums Liverpool is important not just in terms of the direct and indirect impact on the economy, but on the role their varied venues play in drawing new and repeat visits to the Liverpool City Region. Information from the tourist board suggests that visitors to Liverpool were considerably more satisfied with the range of attractions on offer than was the case for other large towns and cities.

In total, we would estimate that National Museums Liverpool generates £115m for the local economy, supporting 2,273.7 full-time equivalent jobs.

The economic impact was measured in terms of 1) visitors to NML, 2) staffing and 3) use of local suppliers. The additional impact of special events was also taken into consideration.

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Remuneration Report

The membership of the Remuneration Committee is comprised of the Chairs of the following Committees. For the year ending 31 March 2010, these were:-

Board of Trustees – Prof Phil Redmond CBE (Chair)
Finance Committee, Chair – Alexis Redmond
Audit Committee, Chair – Bryan Gray CBE DL

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. NML's recent three year pay remit, approved by HM Treasury was effective from 1 October 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 David Fleming's contract was made permanent on 11 July 2006.

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 2009 to 31 March 2010. In line with NML's pay year, any payments were effective from 1 October 2010.

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

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

The Director's performance review took place on 15 June 2010. The Chairman's recommendations on the Director's performance for 2009-2010 were submitted to the meeting of the Remuneration Committee on 29 June 2010.

The average number of days lost (per employee) due to sickness during the year was 12.2 days (10 days 2008-2009); 5.1 days (4.9 days 2008-2009) excluding long-term sickness.

The staff cost for all employees is contained within Note 5 (p55)

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There are seven Directorships within NML, these are: -

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

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

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

The Executive Team
The Senior Management Team, and
Managers Communication Forum.

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

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

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

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

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

Senior staff are permanent employees of National Museums Liverpool.

The notice periods for staff who wish to resign are:

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

Termination payments are in accordance with the Museum's contractual terms. There were no severance or compensation payments to senior managers or former senior managers in year. Voluntary Early Retirement and Voluntary Early Severance was offered to NML staff in September 2010. More detail is recorded in "Post Balance Sheet Events". All NML staff are entitled to notice as defined under the Employment Rights Act 1996 unless individual contracts define other terms.

The salary, pension entitlements and the value of any taxable benefits in kind of the Directors of National Museums Liverpool (which has been subject to audit) were as follows: -

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	Salary Including performance pay 2009/10 £'000	Salary Including performance pay 2008/09 £'000	Accrued pension at age 60 as at 31/03/10 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/03/10 £'000	CETV ¹ at 31/03/09 £'000	Real increase in CETV £'000
D Fleming Director	100-105 plus non consolidated bonus 10-15	100-105 plus non consolidated bonus 5-10	30 - 35 plus lump sum of 100 - 105	2.5 – 5 plus lump sum of 7.5 - 10	773	678	57
S Granville Executive Director of Museum of Liverpool Project	65-70 plus non consolidated bonus 0-5	65-70	20 - 25 plus lump sum of 60 - 65	0 – 2.5 plus lump sum of 2.5 - 5	348	306	20
A de Joia Executive Director of Development & Communications	65-70 plus non consolidated bonus 0-5	65-70	15 – 20 plus lump sum of 50 - 55	0 – 2.5 plus lump sum of 2.5 - 5	290	256	19
John Millard Executive Director of Collections Management – retired 30 May 2010	60-65	60-65	35 - 40	2.5 - 5	727	613	80
Carol Rogers Executive Director of Visitor Management	60-65	60-65	5 - 10	0 – 2.5	97	71	19
Maxine Carden Director of Human Resources	50-55	45-50 ² (50-55)	15 – 20 plus lump sum of 50 - 55	0 - 2.5 plus lump sum of 5 – 7.5	259	215	29
Tony Allen Executive Director of Finance	60-65	15-20 ² (60-65)	0 – 5	0 – 2.5	22	4	18

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

Salary

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

Pension

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum of three years' pension is payable on retirement. For

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premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. Nuvos benefits accrue at 2.3% of pensionable earnings each year, like premium, there is no automatic lump sum but members may commute some of their pension to provide this. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Further details about the CSP arrangements can be found at the website 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

There were no special payments to staff during the financial year. Employees received no benefits in kind during the year.

Dr David Fleming OBE
Director and Accounting Officer
National Museums & Galleries on Merseyside
Date: 29 March 2011

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Financial Review

Account The account is prepared in a form directed by the Secretary of State for Culture, Olympics, 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, the Statement of Recommended Practice: Accounting by Charities (SORP), and the HM Treasury Financial Reporting Manual (FRoM).

Result NML receives the majority of its revenue funding from the DCMS, in the form of grant-in-aid. Net incoming resources, before transfers and gross indexation of tangible fixed assets, for the year were £8,429,000. An indexation of land and buildings as at 31 March 2010 produced a revaluation loss of £13,700,000. A revaluation of investments produced a surplus of £64,000 and gains on sales of investments produced a surplus of £24,000; resulting in a total decrease in funds of £5,183,000.

Included within the above was a net increase in free funds of £1,050,000 before transfers to capital and designated funds of £565,000. The closing balance on free income funds was £2,735,000.(p29)

A transfer from General Fund to General Capital Fund of £592,000 was made to cover general capital expenditure and a transfer of £453,000 from the Revenue Development Fund to Development Fund Capital accounts was made to fund the associated eligible expenditure.

Reserves Policy The consolidated free income reserve available at 31 March 2010 was £2,735,000.(p29)

NML needs to hold reserves in order to cover the risks associated with its operational and capital programmes.

NML has its operational expenditure under strict control in relation to its operational income as demonstrated by the recent transfers to capital and ability to restructure swiftly and effectively to meet the CSR cuts imposed post year end. However, the trustees remain concerned about the issues associated with the current position within the wider economy and the continuing pressure on public finances. Considering the potential pressures on NML's income streams, the trustees recognise that the level of reserves needs to be under constant review.

The projections indicate that the current capital programme is substantially fully funded and the expectation is that any future significant capital funding requirement will be met by donations and other alternative sources of finance, as continued savings from revenue are unlikely to be achievable and Capital Grant in Aid limited.

The Trustees have determined that the current level of reserves will be adequate in respect of 2010-11. However, NML's ability to generate any increase in the reserve, which has been a long term objective, will be challenging.

Any transfer of surplus to reserves will not be achieved at the current rate from the revenue General Fund if alternative income streams are not

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identified.

2011-12 will also see the final completion and opening of the Museum of Liverpool. Although the Museum has attracted additional GiA, it will require a redeployment of resource from other areas of NML to achieve a satisfactory completion of the project and a successful public launch.

Fixed Assets

Progress on the construction of the new Museum of Liverpool continued during the year. Further details of the developments in the year and their impact upon the account are set out later in this Financial Review.

Historically NML has held an unapplied receipt from the disposal of a property within its capital reserve account;

£215,393 in respect of 63/65 Blundell Street, Liverpool, continues to be held unapplied.

Application consents were received from DCMS In March 2002.

NML commissioned Drivers Jonas to carry out a full “red book” valuation of its land and buildings as at 31 March 2007. An index was applied to buildings for 2009-2010, and a desktop valuation by Drivers Jonas was also completed to cover the period April 2007 to 31 March 2010.

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

**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 2009-2010 NML Trading Ltd made a loss of £66,112 due to the adverse impact of the economic downturn. As a result, the subsidiary did not make a Gift Aid contribution to the parent company. The company has returned to profit during the current year and the latest forecasted profit for 2010-11 is £97,000. This is due to a swift response in restructuring to meet the changed circumstances, and-improved cost control.

**HM Revenue &
Customs Museum
(formerly 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.

There were nil capital grants due or received during the year in respect of the HMRC Museum “Seized”.

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

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

Connected Charities

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

Speke Hall

An agreement entered into by Ministers in 1986 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. This year the grant was set at £140,000 and is no longer subject to any inflators. Of this, the full £140,000 was paid during the year. The grant is associated with the revenue activities of Speke Hall and is not capital in nature.

In 2010 a new agreement between NML and The National Trust stated that NML shall continue to make annual payments of £140,000 per annum to the financial year commencing 1 April 2015, without review; and that in consideration for the above, NML transfers to the National Trust all its legal and beneficial title and interest in the objects in the Collections which NML has at Speke Hall. For insurance purposes, the last valuation was circa £200,000. This agreement was signed on 5 October 2010.

Retrospective DCMS approval was granted on 28 January 2011.

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 2009-10 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 2009-10, 89% (2008-2009 – 89%) 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 two liabilities incurred of statutory interest under the Late Payments of Commercial Debts (Interest) Act 1998 during the year. These totalled £39,313.

Data Loss and Information management

NML has suffered no protected personal data incidents during 2009-2010 or prior years, and has made no reports to the Information Commissioner’s Office.

Principal risks and uncertainties

In 2009-10, £23.5m (64%) of NML’s income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue GIA of

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£356k 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 any new ongoing capital programme, to the extent that the funding is dependant upon the successful generation of grants and donations; and the receipt of these funds.

Without a well managed planned maintenance programme and without continued capital investment in the estate the basic infrastructure of the buildings (structure, fabric, plant and equipment) will deteriorate. This would affect the quality of the environmental conditions within the buildings, the consumption of utility supplies through the use of inefficient equipment, the visitor experience and may ultimately affect public safety, and the collections.

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

Environment matters

NML acknowledges the impacts of its activities on the environment at local, national and global level and is committed to minimising the impact of its activities via continuous improvement in environmental performance through efficient and effective use of all resources. NML achieved Energy Efficiency Accreditation from the National Energy Foundation in 2002 and this has been re-awarded in 2005 and 2008. NML have also participated in a Carbon Trust project seeking energy efficiency measures through 'advanced metering' of gas, electric and water supplies. By means of detailed environmental monitoring and the consideration of new initiatives, NML seek to reduce the consumption of fossil fuels and reduce water consumption.

In the new financial year (2010-2011) we will see the introduction of Voltage Reducing equipment in the World Museum, which is being funded by an interest free capital loan (SALIX), to be repaid mostly from the energy savings within the building. This project effectively reduces the network supply voltage of 242V to a more efficient 225V with an anticipated energy reduction of 7-9% within our largest venue. We believe we are the first organisation within our sector to take advantage of this initiative.

The sharing of energy information is now available on our intranet, and allows all departments to better understand their building's energy patterns of use over a number of years, and therefore will allow them to contribute in the management of energy reduction. We continue to address the organisations energy usage, and have in the last financial year for instance installed a new energy efficient cooling Tower in Merseyside Maritime Museum delivering a saving of approximately £25,000 per year in electrical energy savings and a reduction of 4,000 cubic metres of water over the year. The fruition of the collective measures taken within NML have reduced our Carbon footprint by 12% in the last two years.

Donations made

There were no charitable donations, or political donations paid during the financial year 2009-2010.

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Special payments and losses NML made payments during the year in respect of commercial settlements, notified to, and approved by the DCMS; some of which are classed as a special payment under Managing Public Money guidance. This is detailed in Note 11.

There were no reportable losses suffered during the year.

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

The investment manager will provide half yearly reports which will include a statement confirming adherence to the investment policy statement or details of exceptions.

The report will also include a comparison of the portfolio return in relation to the benchmark.

Investment income The reported decrease in investment income represents the fall in the interest rate for cash balances held on deposit. The fall was from 3.5% average in 2008-2009 to 0.4% average in 2009-2010.

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

Consolidated Free Funds income & expenditure 2009-2010	2010	2009
	£000	£000
Incoming resources		
Grant-in-aid DCMS	20,015	19,388
Incoming resources from generated funds:		
Other Grants and Donations	63	70
Merchandising Income of subsidiary company	1,974	2,295
Investment Income	19	157
Incoming resources from charitable activities	767	763
Total incoming resources	<u>22,838</u>	<u>22,673</u>
Resources expended		
Costs of activities in furtherance of the objects of the charity:		
Fundraising costs	464	439
Costs of subsidiary company merchandising	2,134	2,229
Charitable activities;		
Operating expenditure (excluding depreciation)	18,283	17,924
Grants to third parties	140	140
Fees & Charges activities of charity staff	475	582
Governance costs	292	283
Total resources expended	<u>21,788</u>	<u>21,597</u>
Surplus on free income funds before transfers between funds	1,050	1,076
Transfers to designated funds	<u>(565)</u>	<u>(1,370)</u>
Surplus / (deficit) on free income funds for the year	485	(294)
Balance brought forward at 1 April	<u>2,250</u>	<u>2,544</u>
Balance carried forward at 31 March	<u>2,735</u>	<u>2,250</u>
The balance on free income funds comprised:	2010	2009
	£000	£000
Collection purchase fund	4	72
C & E admissions	73	63
Academic Publications	61	65
Miscellaneous	84	-
General funds	<u>2,513</u>	<u>2,050</u>
Balance at 31 March	<u>2,735</u>	<u>2,250</u>

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd (£243k) are contained within the General funds balance.

National Museums & Galleries on Merseyside

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New Museum of Liverpool

NML's major capital project is the creation of a new Museum of Liverpool, due to become operational in 2011/12.

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

It will also provide a showcase for National Museums Liverpool's outstanding collections, currently held in storage, on a scale that cannot be realised within the existing venues, providing an unprecedented level of access to them.

The planning and development period, which ended 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 £29.2m project grant from the NWDA.

A £5million grant was also secured from the European Regional Development Fund (ERDF).

In September 2008, NML also received confirmation from the Heritage Lottery fund that the MoL project would benefit from an £11m grant towards the cost of fitting out the new museum.

In August 2009 NML received confirmation of additional funding from NWDA for the build phase of the project, to the value of £2.6m.

Confirmation was also received from ERDF that £3.5m would be made available for the Fit Out phase of the capital scheme.

Current projections indicate that the MoL is substantially fully funded due to the confirmation of capital GiA receivable over the next four years together with other fundraising efforts.

The Main Contract for construction of the museum building commenced in April 2007. The first major milestone, upon which the ERDF funding was predicated, was completion of the external shell of the museum by 31 December 2008. This was achieved and the ERDF outputs completed, including attainment of a BRE Environmental Assessment Method (BREEAM) Very Good rating for the building, as required. In addition to the original grant award of £5m decommitment funds of £942,000 were awarded.

At 31 March 2010 construction of the shell and core of the museum building was 90% complete with most of the internal spaces having been received by NML under a Partial Possession arrangement, under the Contract with the Main Contractor, in February 2010. This was to allow the enabling works for exhibition fit out to proceed while snagging and rectification of defective works carry on towards full hand over of the building.

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Defective works on the museum external stairs and terraces await rectification by the Contractor. A grant of £1.1m has been awarded by NWDA for landscaping. Laying of the setts to complete the landscaping works has yet to commence.

**Other Capital
Projects**

This financial year also saw a number of other smaller projects reach practical completion.

In particular this included; Lady Lever Art Gallery phase 3, February 2010 (Lady Lever Art Gallery phase 2, was completed in July 2008).

The respective galleries and venues all opened within a short space of time after practical completion.

Audit

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2009-10. The audit fee in respect of this work was £65,000. Macfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £6,305. Non-audit services were not provided by any of these auditors.

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KEY PERFORMANCE INDICATORS – 2010 OUTTURN

Performance Indicator	2008-09 Agreed Targets	2008-09 Out-turn	2009-10 Agreed Targets	2009-10 Out-turn
Core Targets				
KPI (1) Total number of visits	n/a	2,689,889	n/a	2,272,981
KPI (2) Number of website visits	n/a	3,192,561	n/a	3,338,143
KPI (3) Number of UK adults aged 16 and over from lower socio-economic groups visiting NML	n/a	857,866	n/a	724,201
KPI (4) Number of children aged 15 and under visiting NML	n/a	484,180	n/a	437,779
KPI (5) Number of children aged 15 and under in on and off site organised educational sessions	n/a	327,138	n/a	271,487
KPI (6) Net Income from trading (including corporate hire)	n/a	612,400	n/a	640,376

Explanatory Note:

KPI 3 includes only visitors over age 16. We are reporting Lower Socio-Economic groups as NS-SEC (categories 5-8).

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

No targets were set with the DCMS for 2009-2010.

Dr David Fleming OBE
 Director and Accounting Officer
 National Museums & Galleries on Merseyside
 Date: 29 March 2011

Professor Phil Redmond CBE
 Chairman of Trustees
 Date: 29 March 2011

National Museums & Galleries on Merseyside
Statement of Trustees' and Director's responsibilities
For the year ended 31 March 2010

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

In preparing the accounts the Trustees are required to:

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

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

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

Dr David Fleming OBE
Director and Accounting Officer,
National Museums & Galleries on Merseyside
Date: 29 March 2011

Professor Phil Redmond CBE
Chairman of Trustees
Date: 29 March 2011

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

**National Museums & Galleries on Merseyside
Statement on Internal Control within NMGM
For the year ended 31 March 2010**

1. Scope of responsibility

Respectively as Accounting Officer and Chair of the Trustee Board, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Museums Liverpool's (NML's) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to us in Managing Public Money. The Accounting Officer is accountable to the Board of Trustees, Finance Committee, Audit Committee and Department for Culture, Media and Sport (DCMS) for managing the risk of NML.

NML is a non-departmental public body (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 the DCMS and is administered under the terms of a Management Statement and Financial Memorandum (MS & FM) to which both parties are a 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 Strategic Plan, the Annual Business Plan, three year Funding Agreement and MS & FM.

To deliver the service 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 defined and whose roles, responsibilities and accountability are communicated appropriately;
- operates a risk-based management approach; and
- clearly defines roles and responsibilities and allocates accountabilities for the identification and management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to promote high standards of corporate governance and 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 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The Director and the Executive Team (ET) recognise the importance of leadership to create an environment where risk management is effective, with strategic risk being reviewed at regular intervals during the period and operational risk being reviewed and managed on an ongoing basis. In the year ending 31 March 2010, NML has

**National Museums & Galleries on Merseyside
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For the year ended 31 March 2010**

built on the fundamental changes to the risk management framework in 2008/09, adopting a full Executive Team annual review of the risk ratings applied to the strategic risks to ensure that they are reflective of the changing environment.

NML also recognises that organisational risk tolerance will vary dependent on circumstances. With this in mind, NML takes a balanced view and are highly risk averse in certain areas of its core operational activities but will tolerate, or even encourage, greater risk-taking in other areas in order to achieve beneficial changes for visitors. This acceptance of a higher level of risk does not, of course, override the need for a full evaluation of risk before such activities are undertaken, nor override the need to take appropriate actions to manage risk effectively within the tolerances adopted.

NML has therefore developed appropriate processes for the systematic identification, evaluation and control of risk and has further enhanced these in 2009/10. This has enabled NML to respond to potential risks including:

Grant in aid funding cuts – NML considered the potential funding cuts going forward into 2010/11 and incorporated these anticipated cuts into the budgeting process completed in February 2010 to ensure that budgets were realistic. This has enabled the expectations of Trustees and budget holders to be managed and enabled any funding gaps to be identified in preparation for the fund allocations in the Comprehensive Spending review for 2010/11 and beyond announced in October 2010.

Museum of Liverpool Project – This major capital project is closely monitored by a separate committee comprising trustees and non-executive specialists with members of the Executive Team reporting and third party professionals in attendance where appropriate. The MoL Project Monitoring Committee meets at least quarterly and receives progress reports and detailed operational risk registers. Decisions taken by this committee are recorded and reported to the Board of Trustees. The Committee reviews and monitors the relevant financial reporting which is also received by the Finance Committee. The Audit Committee also monitors the risk registers and receives a regular separate report on the MoL project.

4. The risk and control framework

NML continued to improve risk management systems throughout 2009/10. To this end the ET has:

- developed individual risk registers with project partners for major capital projects which are OGC Gateway and HMT Orange Book compliant;
- continued to operate a formal and transparent budget process;
- continued to monitor, on a regular basis, NML's performance against the operational budget to ensure potential, critical financial risks are highlighted at the earliest opportunity;
- continued to use, regularly review and update a corporate risk register detailing NML's most strategic risks, which have been integrated into RiskNetwork[®];
- has adopted the Treasury's own "Orange Book" and "Orange Booklet for

**National Museums & Galleries on Merseyside
Statement on Internal Control within NMGM
For the year ended 31 March 2010**

NDPBs” as NML’s principal guidance on risk management and has made this available to all staff in an electronic version;

- worked towards compliance with the Cabinet Office guidance in relation to IT security, which includes the employment of a new Head of IT, who is responsible for the implementation of:
 - a formal change control methodology;
 - contractual obligations governing the behaviour of third parties using or maintaining NML systems;
 - procedures to record information assets on the asset register;
 - procedures for central procurement of IS assets in consultation with the IS department; and
 - best practice logical security enforcement on NML systems.

It is anticipated that full compliance with the Cabinet Office guidance in relation to IT security will be achieved by the end of 2010/11 and this will be the responsibility of the Head of IT in his capacity as the Senior Information Risk Officer. There have been no data incidents at NML during 2009/10.

- 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;
- 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; and
- put in place a dedicated team to ensure that our activities reach out to the public to ensure that all individuals and groups are included in the scope of our activities.

Internal Audit

Internal Audit was outsourced to Deloitte LLP (Deloitte) from 1 April 2009 on a fixed term contract which has been extended to 31 March 2011. Deloitte has conducted an independent appraisal of key NML activities, financial and operational. The service is carried out to professional standards promulgated by HM Treasury and complies in all material respects with Government Internal Audit Standards (GIAS). The service is responsible for giving assurance to the Board of Trustees through the Audit Committee and NML’s Accounting Officer on the adequacy of NML’s risk management, control and governance processes. The Board of Trustees determines whether to accept and approve implementation of the audit recommendations or to recognize and accept the risk of inaction.

Deloitte LLP continuously reviews the methodologies it applies to ensure that its service is the most beneficial to NML and contributes effectively to the corporate risk based management approach. Deloitte LLP monitors and provides objective advice and assurance on:

**National Museums & Galleries on Merseyside
Statement on Internal Control within NMGM
For the year ended 31 March 2010**

- 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 MS & FM and regulatory requirements.

Risk Management

NML has taken a proactive approach to risk management in the year.

During 2009/10 the ET has acted to maintain NML's capacity to handle and contain risk at levels acceptable to its stakeholders and has:

- instructed Deloitte to complete an internal audit of the risk management framework, its implementation and ongoing monitoring;
- requested Deloitte to further develop the established risk management framework, which was rolled out across NML at the end of 2008/09;
- completed a risk management workshop with ET and Heads of Service to gain their views on risks to NML. The risks were scored on likelihood, impact and control effectiveness;
- evaluated the usefulness of the RiskNetwork[®] risk management software, in complementing the revised risk management framework and processes;
- identified and documented NML's strategic risks;
- reviewed and acted to ensure NML's corporate priorities and obligations continue to sustain and deliver core activities irrespective of the operating environment;
- maintained and communicated a clear statement of NML's vision and beliefs to underpin all of its fundamental obligations and priorities;
- facilitated committee meetings that link closely to operational areas of responsibility and specifically an Audit Committee which reports to the Board of Trustees on internal control and risks across all areas of activity; and
- continued to apply the principle of determining corporate priorities to the strategic planning process based on Directorates, which links priorities to resource availability in the form of funding and people.

**National Museums & Galleries on Merseyside
Statement on Internal Control within NMGM
For the year ended 31 March 2010**

Governance

NML has an established committee structure to ensure close conformity with good governance practice. This allows NML 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 the objectivity of the committees in line with current HM Treasury guidance.

Management team

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 the strategic direction of NML's activities and comprise:
- 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 **Managers Communication 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 NML's risks at an acceptable level.

The Managers Communication 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.

The Director is assured by his Executive Directors and SMT that NML's existing governance structure has been effective in controlling and containing risk at acceptable levels during 2009/10.

5. Review of effectiveness

The Accounting Officer is responsible for implementing a process for reviewing the effectiveness of the system of internal control. A review of the effectiveness of the system of internal control is informed by the work of:

- internal audit;
- external audit; and
- the ET within NML who have responsibility for the development and maintenance of the internal control framework.

NML has a dedicated Audit Committee constituted in line with HMT guidelines. This Committee meets at least three times a year and the Chairman reports to the full Board of Trustees. During 2009/10 the Audit Committee met three times and NML has decided that this Committee should meet at least four times a year in future on dates closely aligned to the pattern of Board and other committee meetings, as well as to the key reporting dates of the preparation of the financial statements and audit procedures, to help improve the efficient flow of information

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and consequent required actions. Deloitte has been commissioned to prepare a review of the effectiveness of the Audit Committee which was issued late in 2010-11.

NML has outsourced internal audit to Deloitte LLP, who provide an independent service to the Accounting Officer and operational managers reviewing and offering recommendations on risk and control related issues. This service will be put out to tender when the current contract comes up for renewal at the end of March 2011 in accordance with the appropriate guidelines and good practice.

NML has introduced more formal procedures to better evidence all matters that are brought to DCMS attention or require DCMS approval. A quarterly review will be implemented with DCMS and the ET and reported against a pro forma checklist to the Board of Trustees through the committee structure. The first such review will take place at the next audit committee in 2011 and is designed to provide a more pro active mechanism for improving regular and in depth communications with the Department and, where practicable, to eliminate the need for retrospective approvals, which NML recognises did arise during the year at times when they could have been avoided.

Museum of Liverpool

As part of the overall control environment underpinning the MoL project, commercial negotiations and disputes that arise with third party contractors engaged with the project are reviewed by the MoL Project Monitoring Committee and are the subject of external legal advice. After the year end, at the time the accounts were being finalised, adjudications arose in respect of two contractors and were not accounted for in the financial statements then under review on the basis of the legal advice received. These post balance sheet events are referred to in note 11 of the Accounts. Despite the legal advice on which NML's views were based, the cases were subsequently found in favour of the claimants. NML's legal advisors pursued a course of recovery for one case which was successful and the award was reduced to the elements of the claim that were not disputed.

These cases were reported fully on a timely basis to the MoL Committee and the Board of Trustees and Finance Committee and their views taken into account and appropriately recorded on the basis of the legal advice that it was not probable that the judgments would go against NML. When subsequently the judgments did go against NML adjustments were made to the accounts to reflect this. However, NML recognises that the adjudications were not drawn to the attention of the auditors, and were not disclosed in the draft financial statements under review or in an appropriate and timely manner to the Audit Committee, as they should have been. This resulted in additional external audit processes being required and the consequent late date for filing the accounts. Action has been taken to address these significant internal control weaknesses and improvements are being made to the reporting procedures to this Committee to ensure regular and systematic written summary notification of all potential, pending and actual litigation is copied directly to the Committee. A summary of the red risks shown on the risk registers included in the standard package of Audit Committee papers is also being added to further highlight all such matters. The successful implementation of these changes will be closely monitored.

Based on the work undertaken by Internal Audit during the year, the overall assurance for 2009/10 in relation to Capital Projects, which includes the MoL project, gives **substantial assurance** as there is a sound system of internal control in place, (although there were some weaknesses in design and compliance which

**National Museums & Galleries on Merseyside
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may put some system objectives at risk where the audit recommendations are in the process of being addressed).

Other assurance mechanisms

A number of financial control processes have been maintained. The Finance department produces monthly management accounts which are reviewed by budget holders and the Executive Team on a monthly basis to identify and act upon departures from the original budget. This is reported to the Finance Committee and board on a quarterly basis.

Capital expenditure projects are approved on an individual basis through presentation of a business justification, risk assessment and discounted cash flow forecast to the Capital Projects Steering Group, and, where they exceed certain expenditure thresholds, the Board of Trustees.

Executive Directors provide the Audit Committee with a regular update on a cyclical basis in relation to their operation of internal controls for the major areas of risk they are responsible for.

The monitoring of the implications of the results of the review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place to ensure there are satisfactory processes in place for identifying, evaluating and managing the significant risks faced by NML.

Significant Control Weaknesses

NML has addressed the significant control weaknesses identified by Deloitte during 2008/09 resulting from four specific audits covering Capital Projects, Risk Management, Internal Audit Effectiveness and Corporate Governance. The implementation of corrective actions has been confirmed by internal audit through their follow-up of previous recommendations with progress being systematically reported to the Audit Committee.

During 2009/10 some areas of weakness were identified, most notably in IT, and action plans have been established to mitigate these. IT has been closely monitored by the ET and through the committee structure and significant progress has been reported with further work by internal audit planned to be undertaken in the latter part of 2010/11 to verify this continuing progress.

**Dr David Fleming OBE
Director & Accounting Officer
National Museums & Galleries on Merseyside**

Date: 29 March 2011

**Professor Phil Redmond CBE
Chairman of Trustees
National Museums & Galleries
on Merseyside**

Date: 29 March 2011

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

I certify that I have audited the financial statements of the National Museums and Galleries on Merseyside for the year ended 31 March 2010 under the Merseyside Museums and Galleries Order 1986. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and Director, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Merseyside Museums and Galleries Order 1986 and by the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder, and for ensuring the regularity of financial transactions funded by Parliamentary grant and 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 by the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Legal and Administrative information, the Operating Review, the Financial Review and the Key Performance Indicators, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliamentary grant and 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 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 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. This information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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

Basis of audit opinions

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 Trustees and the Director in the preparation of the financial statements, and of whether the 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 incoming and outgoing resources funded by Parliamentary grant and 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

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, Olympics, Media and Sport, of the state of the National Museums and Galleries on Merseyside and the group's affairs as at 31 March 2010 and of the 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 by Secretary of State for Culture, Olympics, Media and Sport directions made thereunder; and
- information, which comprises the Legal and Administrative information, the Operating Review, the Financial Review, and the Key Performance Indicators included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliamentary grant and grant in aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date 31 March 2011*

**National Museums & Galleries on Merseyside
Consolidated Statement of Financial Activities
For the year ended 31 March 2010**

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2010 £000	Total 2009 £000
Incoming resources:					
Grant-in-aid - DCMS	2	23,463	-	23,463	22,488
Grant-in-aid - HMRC	2	-	356	356	544
Incoming resources from generated funds:					
Voluntary income;					
Grants and donations	2a	63	9,305	9,368	21,698
Gifts	6	-	463	463	50
Merchandising income of subsidiary company	9	1,974	-	1,974	2,295
Investment Income	7b	19	32	51	222
Incoming resources from charitable activities	7a	<u>767</u>	<u>-</u>	<u>767</u>	<u>763</u>
Total incoming resources		<u>26,286</u>	<u>10,156</u>	<u>36,442</u>	<u>48,060</u>
Resources expended:					
Costs of generating funds;					
Fundraising costs in respect of voluntary income		464	-	464	439
Costs of subsidiary company merchandising	9	2,134	-	2,134	2,227
Charitable activities;					
Care of collections		5,870	993	6,863	7,355
Care of buildings		5,999	2,020	8,019	8,787
Visitor Services		3,473	436	3,909	3,956
Exhibitions		1,730	291	2,021	2,192
Education and research		3,190	489	3,679	2,969
Other resources expended;					
Grants to third parties		140	-	140	140
Fees and Charges activities of charity staff		475	-	475	582
Disposal of assets		-	-	-	2
Governance costs		<u>309</u>	<u>-</u>	<u>309</u>	<u>283</u>
Total resources expended	4	<u>23,784</u>	<u>4,229</u>	<u>28,013</u>	<u>28,932</u>
Net incoming resources before notional costs and transfers between funds	3	2,502	5,927	8,429	19,128
Notional cost of capital	1(j)	(4,180)	(333)	(4,513)	(4,590)
Transfers between funds		<u>24</u>	<u>(24)</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources after notional costs and transfers between funds		(1,654)	5,570	3,916	14,538
Movement on assets:					
Unrealised net loss on revaluation of fixed assets and investments	6 & 24	(10,587)	(3,025)	(13,612)	(3,720)
Reversal of notional cost of capital		<u>4,180</u>	<u>333</u>	<u>4,513</u>	<u>4,590</u>
Net movement in funds		<u>(8,061)</u>	<u>2,878</u>	<u>(5,183)</u>	<u>15,408</u>
Fund balances brought forward at 1 April		<u>123,511</u>	<u>108,791</u>	<u>232,302</u>	<u>216,894</u>
Fund balances carried forward at 31 March	14	<u>115,450</u>	<u>111,669</u>	<u>227,119</u>	<u>232,302</u>

All of NML's operations relate to continuing activities. There are no recognised gains and losses other than those shown above. The notes on pages 48 to 78 form part of these accounts.

National Museums & Galleries on Merseyside
Consolidated Balance Sheet
As at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	6	210,931	215,956
Heritage assets	6	<u>10,021</u>	<u>9,400</u>
		220,952	225,356
Current assets:			
Stock - goods for re-sale		154	159
Investments	24	809	502
Debtors	10	4,569	5,085
Cash at bank and in hand		<u>4,872</u>	<u>4,719</u>
		10,404	10,465
Creditors: amounts falling due within one year	11 & 12	<u>(3,668)</u>	<u>(3,519)</u>
Net current assets		<u>6,736</u>	<u>6,946</u>
Total assets less current liabilities		<u>227,688</u>	<u>232,302</u>
Creditors: due after more than one year	11 & 12	<u>(569)</u>	-
Total net assets		<u>227,119</u>	<u>232,302</u>
Represented by:			
Income funds			
Restricted funds	14	111,669	108,791
Unrestricted funds:			
Designated funds	14	112,937	121,461
General funds	14	<u>2,513</u>	<u>2,050</u>
Total funds		<u>227,119</u>	<u>232,302</u>

The notes on pages 48 to 78 form part of these accounts

Dr David Fleming OBE
 Director and Accounting Officer
 National Museums & Galleries on Merseyside
 Date: 29 March 2011

Professor Phil Redmond CBE
 Chairman of Trustees
 National Museums & Galleries on Merseyside
 Date: 29 March 2011

**National Museums & Galleries on Merseyside
Museum Balance Sheet
As at 31 March 2010**

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	6	210,688	215,863
Heritage assets	6	10,021	9,400
Investment in NMGM Enterprises Limited	9	<u>380</u>	<u>380</u>
		221,089	225,643
Current assets:			
Stock - goods for re-sale		17	19
Investments	24	809	502
Debtors	10	4,710	5,411
Cash at bank and in hand		<u>4,525</u>	<u>4,133</u>
		10,061	10,065
Creditors: amounts falling due within one year	11 & 12	<u>(3,440)</u>	<u>(3,450)</u>
Net current assets		<u>6,621</u>	<u>6,615</u>
Total assets less current liabilities		<u>227,710</u>	<u>232,258</u>
Creditors: amounts due after more than one year	11 & 12	<u>(569)</u>	-
Total net assets		<u>227,141</u>	<u>232,258</u>
Represented by:			
Income funds			
Restricted funds	14	111,669	108,791
Unrestricted funds:			
Designated funds	14	112,937	121,461
General funds		<u>2,535</u>	<u>2,006</u>
Total funds		<u>227,141</u>	<u>232,258</u>

The notes on pages 48 to 78 form part of these accounts

Dr David Fleming OBE
Director and Accounting Officer
National Museums & Galleries on Merseyside
Date: 29 March 2011

Professor Phil Redmond CBE
Chairman of Trustees
National Museums & Galleries on Merseyside
Date: 29 March 2011

National Museums & Galleries on Merseyside
Consolidated Cash Flow Statement
For the year ended 31 March 2010

	Notes	2010	2009
		£000	£000
Net cash inflow from operating activities	19	12,574	27,934
Returns on investments and servicing of finance:			
Interest and dividends received		51	222
Increase in investments		(218)	(275)
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<u>(12,254)</u>	<u>(28,373)</u>
Increase / (decrease) in cash in the year	19	<u>153</u>	<u>(492)</u>

The notes on pages 48 to 78 form part of these accounts

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2010

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

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

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

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

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

b) ***Incoming resources***

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

Capital grants with a restricted application, Lottery income, European Development Fund and income from the Northwest Regional Development Agency 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. Income from charitable activities includes; rental income, fees and charges commercial contracts, and car parking income.

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

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

c) **Expenditure**

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

The charitable activity groupings are; care of collections, care of buildings, visitor services, exhibitions and education and 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.

Liabilities are recognised on an accruals basis.

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

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

Governance costs are; external audit fees, corporate governance (including internal audit), legal advice on governance issues and an apportionment of Finance 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 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. These are described in more detail in Note 14.

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

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

f) **Tangible fixed assets**

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

Freehold buildings	50 years
Long leasehold buildings	over the lease term up to a maximum of 50 years
Furniture and fittings	4 years (museum) 8 years (subsidiary)
Permanent Galleries	10 years
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 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. In the intervening years a Modified Historical Cost Accounting (MHCA) index is used for buildings; the indices are taken from the BCIS Public Sector and All-In Tender Price Index. Land is subject to an interim revaluation which took place in 2009-2010.

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

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

g) **Stock**

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

h) **Leases**

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

i) **Pensions**

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

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

payable for the year.

The full cost of the accrued liability for annual compensation payments under early retirement arrangements, are recognised in the year of departure.

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 (2008/09: 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 its primary purpose activity 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 had 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.

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.

m) ***Investments***

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

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

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

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

n) ***Long-term Creditors***

The Museum received a payment from the operator of the Combined Heat and Power scheme, prior to the operational start, as a contribution towards the Museum's necessary start-up costs. The amount received has been accrued for and will be released to the Statement of Financial Activities over the duration of the contract; 17 years.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2010

2. Grant-in-Aid £23,463,000 of DCMS Grant-in-Aid has been received during the year (2009: £22,488,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:

	2010	2009
	£000	£000
General Fund	20,015	19,388
Collection purchase fund	-	100
Government Grant Capital Allocation	3,448	3,000
	<u>23,463</u>	<u>22,488</u>

NML also receives Grant-in-Aid from the HM Revenue & Customs (HMRC) resource account. The amount received in 2009/10 was £356,338 (2008/09 £389,212;).

No capital GiA was received from HMRC in 2009-2010 (2008/09 £155,000). A summary can be seen at Note 16.

2a.Grants & donations £9,368,000 (£21,698,000 2008-2009) was received during the year; of which only £63,000 (£70,000 2008-2009) was unrestricted. The restricted income included the following contributions towards NML's capital programme:-

	2010	2009
	£000	£000
Heritage Lottery Fund	1,527	1,539
European Regional Development Fund	187	4,282
Northwest Regional Development Agency	4,592	14,096
Other revenue and capital grants and donations	2,999	1,711
	<u>9,305</u>	<u>21,628</u>

3. Net Incoming Resources

	2010	2009
	£000	£000
Net incoming resources before transfers is stated after charging for:		
Travel and Subsistence (including Trustees)	104	127
Hospitality	67	72
Operating lease payments	59	176
Consolidated Audit Fee	65	45
Trading Company Audit Fee	6	5
Depreciation	3,507	5,849

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2010

4. Total resources expended	Staff Costs £000	Other Costs £000	Depreciation £000	2010 Total £000	2009 Total £000	
Costs of generating funds:						
Fundraising costs	393	71	-	464	439	
Cost of subsidiary company merchandising	1,250	836	48	2,134	2,227	
Charitable activities;						
Care of collections	5,379	1,110	374	6,863	7,355	
Care of buildings	856	4,195	2,968	8,019	8,787	
Visitor services	3,650	217	42	3,909	3,956	
Exhibitions	804	1,189	28	2,021	2,192	
Education and outreach	2,145	1,487	47	3,679	2,969	
Grants to Third Parties	-	140	-	140	140	
Fees & Charges activities of charity staff	316	159	-	475	582	
Governance costs	82	227	-	309	283	
Disposal of assets	-	-	-	-	2	
Total resources expended	<u>14,875</u>	<u>9,631</u>	<u>3,507</u>	<u>28,013</u>	<u>28,932</u>	
Governance costs includes:						
External Audit fees	-	71	-	71	50	
Corporate Governance	49	-	-	49	50	
Internal Audit	3	81	-	84	105	
Legal Advice	-	72	-	72	40	
Finance	<u>30</u>	<u>3</u>	-	<u>33</u>	<u>38</u>	
	<u>82</u>	<u>227</u>	-	<u>309</u>	<u>283</u>	
Support costs;	Care of Collections	Care of Buildings	Visitor services	Exhibitions	Education & Outreach	Total
Management	104	40	68	21	47	280
Finance (inc Audit)	266	88	174	51	118	697
ICT	281	249	163	94	165	952
Office services	59	72	32	25	40	228
Human resources	<u>224</u>	<u>135</u>	<u>139</u>	<u>59</u>	<u>115</u>	<u>672</u>
	<u>934</u>	<u>584</u>	<u>576</u>	<u>250</u>	<u>485</u>	<u>2,829</u>

The support costs are contained within the respective charitable activities headings above.
The Museum depreciation is split between Unrestricted £1.996m and Restricted £1.463m.
The unrestricted element counts against NML's non-cash grant allocation.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2010

5. Staff Costs

During the year staff costs directly associated with the delivery of NML's major capital projects; a new Museum of Liverpool, ISM ph3, Lady Lever ph3, Room 11 Walker Art Gallery - and incremental to the normal operating staff cost base, were capitalised. The amount for the year was £850,584. The following note has been expanded to reflect the capitalisation.

	NML	NML	Total	Total
	Trading Ltd		2010	2009
	£000	£000	£000	£000
Wages and salaries	11,100	1,167	12,267	11,593
Social Security Costs	733	71	804	745
Pension Costs	<u>1,792</u>	<u>12</u>	<u>1,804</u>	<u>1,814</u>
Staff Costs within operating expenditure	13,625	1,250	14,875	14,152
Capitalised Staff Costs	851	-	851	586
Agency staff costs	<u>50</u>	<u>-</u>	<u>50</u>	<u>9</u>
Total Staff Costs	<u>14,526</u>	<u>1,250</u>	<u>15,776</u>	<u>14,747</u>

The capitalised staff costs related to capital projects include; Basic Pay £663,662, Employers NIC £61,203 and Employers Superannuation £125,719.

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

For 2009-10, employers' contributions of £1,902,980 were payable to the PCSPS (2008-09: £1,890,714) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands (the rates in 2008-09 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. In 2009-10 the salary bands were revised and the rates revised as above. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14,281 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,358.32, 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

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

The subsidiary trading company previously operated a defined contribution scheme. The current pension arrangement means that the pensionable employees of the subsidiary company are in direct contract with the pension provider. NMLT makes a contribution of 5% of basic salary to the pension plans of those staff who are members of the Group Plan and the liability of the subsidiary is limited to this contribution. The employer's contribution amounted to £11,620 (2008-2009; £8,173).

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
2010

There were eight members of staff in the salary band £50,001 - £55,000; three members in the salary band £60,001 - £65,000; two in the salary band £65,001 - £70,000 and one member in the salary band £105,001 - £110,000.

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

Employee Configuration as at 31 March 2010	2010	Employee Configuration as at 31 March 2009	2009
Director's Office	6	Director's Office	8
Museum Secretary's Office	1	Museum Secretary's Office	-
Development and Communications	57	Development and Communications	54
Public Services:		Public Services:	
Collections Management	113	Collections Management	114
Education, Communities & Visitors	203	Education, Communities & Visitors	180
Museum of Liverpool	66	Museum of Liverpool	63
Human Resources	17	Human Resources	16
Finance, ICT & Procurement	41	Finance, ICT & Procurement	40
Cleaning Services	39	Cleaning Services	38
NML Trading Ltd	60	NML Trading Ltd	<u>60</u>
	<u>603</u>		<u>573</u>

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

Employee Configuration as at 31 March 2010	2010	Employee Configuration as at 31 March 2009	2009
Senior Management Team	22	Senior Management Team	14
Staff on permanent contract	435	Staff on permanent contract	477
Staff on secondment	-	Staff on secondment	-
Staff on fixed term contracts	146	Staff on fixed term contracts	<u>82</u>
Total	<u>603</u>	Total	<u>573</u>

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

The average number of 'Full-Time Equivalents' capitalised is 33.

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 £2,925 (2008-2009: £7,859). Five trustees were reimbursed in 2009-2010 (eight in 2008-2009).

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2010

6. Tangible fixed assets	Land	Buildings	Furniture & Fittings	Permn't Galleries	Motor Vehicles	Assets in Course of Construction	Sub-total	Heritage Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost/valuation									
Valuation Base at 01-Apr-09	20,730	139,880	21,474	5,603	96	55,707	243,490	9,400	252,890
Additions in Year	-	613	342	378	-	10,850	12,183	621	12,804
Disposals	-	-	(45)	-	-	-	(45)	-	(45)
Revaluation	<u>(5,640)</u>	<u>(8,060)</u>	-	-	-	-	<u>(13,700)</u>	-	<u>(13,700)</u>
Valuation	15,090	132,433	21,771	5,981	96	66,557	241,928	10,021	251,949
Transfers to AICC	-	-	-	-	-	-	-	-	-
Closing valuation	<u>15,090</u>	<u>132,433</u>	<u>21,771</u>	<u>5,981</u>	<u>96</u>	<u>66,557</u>	<u>241,928</u>	<u>10,021</u>	<u>251,949</u>
Depreciation									
Balance as at 01-Apr-09	-	5,546	20,935	970	83	-	27,534	-	27,534
Base Charge for Year	-	2,589	316	598	4	-	3,507	-	3,507
Disposals	-	-	(44)	-	-	-	(44)	-	(44)
Revaluation	-	-	-	-	-	-	=	-	=
Balance as at 31-Mar-10	-	<u>8,135</u>	<u>21,207</u>	<u>1,568</u>	<u>87</u>	-	<u>30,997</u>	-	<u>30,997</u>
Net book value:									
At 31 March 2010	<u>15,090</u>	<u>124,298</u>	<u>564</u>	<u>4,413</u>	<u>9</u>	<u>66,557</u>	<u>210,931</u>	<u>10,021</u>	<u>220,952</u>
At 31 March 2009	<u>20,730</u>	<u>134,334</u>	<u>539</u>	<u>4,633</u>	<u>13</u>	<u>55,707</u>	<u>215,956</u>	<u>9,400</u>	<u>225,356</u>

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 2010 was made up of:

	2010	2009
National Museums Liverpool tangible fixed assets	210,688	215,863
National Museums Liverpool heritage assets	10,021	9,400
NML Trading Limited	<u>243</u>	<u>93</u>
	<u>220,952</u>	<u>225,356</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2010

Heritage Assets	These consist wholly of additions to the collections. The additions to the collections are made by purchase and by gift. In 2009-10 the major additions were:	£
By Purchase	Ben Johnson archive ("Liverpool Cityscape" preparatory sketches)	35,000
	Miao Textiles (Gina Corrigan collection of Hill tribe textiles)	40,000
	Tibetan artworks (12 paintings)	28,500
	Titanic postcards (x2) – Able Seaman Thomas Jones and Lady Duff Gordon	9,568
	Study for "A Summer Night" – Albert Moore (1841-1893)	9,000
	"Liverpool Map" public art commission	16,861
By Gift	Victoria Cross – from Blake's Benevolent Fund trustees	250,000
	Netsuke Toggles – from Mrs Gabita Gadelius	110,000
	Presidential Chain of Office for the Society of Liverpool and District Meat Traders Association – from Mrs L Harrison	15,000
	"The Gossips" watercolour by Henry Ryland – from Mrs D Neville Neill	10,000
	Model of "MV Astronomer (V)" – from Mrs D E Grieve	10,000

The total value of gifts received during the year was £463,338 of which the main ones are shown above.

Collection Acquisitions

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

Gifts

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

The threshold for capitalisation of gifts is £500.

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; 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.

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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 for buildings 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 table reflects a reduction this year in net book value due to the desktop revaluation of land (from April 2007 to March 2010) and the yearly indexation applied to buildings.

The Mann Island Site and the Maritime Park 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 has been built has been treated as land associated with Assets in the Course of Construction and the post balance sheet disposal areas separately identified.

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

Property	Basis	Land Value	NBV Bldgs	Land Value	NBV Bldgs	
		31-Mar-09	31-Mar-09	31-Mar-10	31-Mar-10	
		£	£	£	£	
Freehold Properties						
Lady Lever Art Gallery	DRC	830,000	6,557,223	500,000	6,038,013	
County Sessions House	DRC	600,000	1,793,845	450,000	1,651,806	
The Walker	DRC	3,550,000	15,128,438	2,660,000	13,987,261	
World Museum	DRC	3,500,000	55,784,148	2,630,000	51,398,494	
Sudley House	DRC	210,000	1,845,690	130,000	1,699,546	
Maritime Park:-						
MLL demolished						
MLL retained	}	DRC	320,000	220,000	}	
GWR Building		DRC	390,000	2,017,909		270,000
Dockmaster's House		DRC	100,000			70,000
Canning Docks		DRC	3,460,000			2,420,000
Maritime Car Park:-						
Prospective canal basin (T1A)	}		440,000	-	330,000	
Land abutting canal basin (T2)			152,000	-	110,000	
Canning Docks / Pilotage Amenity Land		EUV / MV	3,726,000	-	2,790,000	
GWR Amenity Land (T7A)			192,000	-	140,000	
Western Steps (T7B)			120,000	-	90,000	
Juniper Street		EUV	-	5,146,857	4,875,125	
Dale Street		EUV	-	3,497,998	3,221,022	
		17,590,000	91,772,108	12,810,000	84,862,852	
Long Leasehold Properties						
Oratory	DRC	60,000	51,845	50,000	47,740	
Maritime 'D' Block	DRC	1,160,000	23,043,384	810,000	21,300,672	
Maritime Piermaster's House	DRC	260,000	508,083	180,000	467,853	
The Walker	DRC	30,000	145,167	20,000	133,672	
Conservation Centre	DRC	1,630,000	16,842,283	1,220,000	15,508,689	
DS (11 North St)	OMV	-	79,323	-	73,042	
Dock Traffic Office	MV	-	1,892,248	-	1,904,319	
		3,140,000	42,562,333	2,280,000	39,435,987	
Totals		20,730,000	134,334,441	15,090,000	124,298,839	

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

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

	£000
Land	15,090
Freehold Buildings	84,862
Long Leasehold Buildings	<u>39,436</u>
	<u>139,388</u>

Assets in the Course of Construction

Assets in the Course of Construction

Assets in the Course of Construction consist of:

	£000
Museum of Liverpool	59,617
Land associated with assets in the course of construction	<u>6,940</u>
	<u>66,557</u>

Disposals in year

There was £44,000 (historic cost) of furniture and fittings disposals for the subsidiary trading company.

7. Incoming Resources:

7a. Incoming resources from charitable activities

	2010	2009
	£000	£000
Car Parking	81	96
Exhibitions	62	7
Proceeds of insurance claims	300	-
Fees & charges activities	265	660
Fundraising event	<u>59</u>	-
	<u>767</u>	<u>763</u>

7b. Investment Income

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

	2010	2009
	£000	£000
Interest receivable	23	186
Tomlinson dividend receivable	<u>28</u>	<u>36</u>
	<u>51</u>	<u>222</u>

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8. Financial Instruments

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

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

Liquidity Risks

In 2009-10, £23.5m (64%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue GIA of £356k 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 any ongoing capital programme, to the extent that the funding is dependant upon the successful generation of grant and donations; and the receipt of these funds.

Financial assets by category

	Note	2010
		£000
Trade debtors	10	679
Other debtors	10	3,193
Cash at bank and in hand	per balance sheet	4,872

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs; £413,821.

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

	Trade Debtors	Less than 30 days	30-90 days	More than 90
	£000	£000	£000	£000
As at March 2010	679	336	267	76

The Museum's principal exposure to risk is primarily attributable to trade debtors. However this risk is minimised because most major customers are familiar to the Museum. A bad debt provision of £40,000 (£40,000 2008-2009) has been recognised on the balance sheet.

Financial liabilities by category

	Note	2010
		£000
Trade creditors	11	1,332
Other creditors	11	2,299

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The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs; £323,240. All liabilities are non-interest bearing.

Interest Rate Risks

As mentioned above, NML receives less than 1% of its income through returns on invested cash balances. It is therefore not exposed to any material risk in relation to fluctuating interest rates. The weighted average of fixed rate interest for invested deposits for 2009-2010 was less than 0.5%.

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 £0.809m invested in fixed interest and equity stocks. The investment manager (Rathbone Investment management) works to a low risk profile instruction. The amount invested represents approximately 2% of total incoming resources.

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

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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 during the year were:

David Fleming OBE

Mrs Alexis Redmond

Mr Tony Allen (appointed 12 November 2009)

Prof. Phil Redmond CBE

Ms Eva Wisemark (appointed 2 June 2009 and resigned 22 January 2010)

Amy de Joia

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

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

The trading performance for the year ended 31 March 2010 and the Company's Balance Sheet are set out below;

Results

	2010	2009
	£000	£000
Sales	2,334	2,609
Cost of sales	(794)	(898)
Gross profit	1,540	1,711
Administrative expenses	(1,607)	(1,503)
Operating (loss) / profit	(67)	208
Interest receivable and similar income	1	13
Profit Gift-Aided to NML	-	(178)
(Loss) / profit on ordinary activities before taxation	(66)	43
Tax on (loss) / profit on ordinary activities	-	-
(Loss) / profit for the year	(66)	43

To mitigate corporation tax liability the company ensures that the optimum use of both the annual investment allowance and the transfer of profit to NML eliminate the annual charge to tax; by way of a gift aid transfer.

For the year ended 31 March 2010 nil (2009 £178,213) was gifted to NML.

The loss was not reflected as a write down in investment value as this was deemed to be not material.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
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Balance Sheet	2010	2009
	£000	£000
Fixed assets	243	93
Current assets	579	797
Current liabilities	(464)	(466)
Net Current Assets	115	331
Net assets	358	424
Called up share capital	380	380
Profit and loss account	(22)	44
	358	424
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.		
	2010	2009
	£000	£000
Merchandising Income of Subsidiary Company		
Merchandising Income of the company as shown in the Statement of Financial Activities	1,974	2,295
plus sales to NML, the parent body	361	327
Equals total NMLT Income	2,335	2,622
Costs of subsidiary company merchandising		
Costs of subsidiary company merchandising as shown in the Statement of Financial Activities	2,134	2,227
Loss on disposal of assets	-	2
plus purchases from NML, the parent body	267	172
	2,401	2,401
Which equates to;		
NMLT cost of sales plus	794	898
NMLT other expenditure	1,607	1,503
	2,401	2,401
	2010	2009
	£000	£000
Amount owed by the parent body to the subsidiary	16	5
Amount owed by the subsidiary to the parent body	220	392

National Museums & Galleries on Merseyside
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10. Debtors	2010	2010	2009	2009
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts due from subsidiary	220	-	392	-
Trade debtors	392	679	386	429
Other debtors	3,401	3,193	4,310	4,333
Prepayments	283	283	14	14
Taxation (VAT) recoverable	414	414	309	309
	<u>4,710</u>	<u>4,569</u>	<u>5,411</u>	<u>5,085</u>

Other debtors above include a balance of £1,323,694 owed by the North West Regional Development Agency (£1,708,773 2008-2009), £892,009 by HLF (£752,833 2008-2009), and £55,050 by the European Regional Development Fund (£1,461,705 2008-2009), £413,821 owed by HM Revenue & Customs (£308,819 2008-2009), £35,000 owed by National Art Collection Fund and £53,776 by the Department for Children's Schools and Families (£47,266 2008-2009) respectively.

There were no further Whole of Government Accounts (WGA) related balances outstanding .

11. Creditors:	2010	2010	2009	2009
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts falling due within one year:				
Amounts due to subsidiary	16	-	5	-
Trade creditors	1,303	1,332	1,473	1,485
Other creditors and accruals	1,567	1,730	1,374	1,395
Deferred income	283	283	267	267
Taxation and social security	271	323	331	372
	<u>3,440</u>	<u>3,668</u>	<u>3,450</u>	<u>3,519</u>
Amounts falling due after one year:				
Accrual for CHP	569	569	0	0

Deferred income includes a sum of £169,000 from Creativity,Culture and Education funding for the "Find Your Talent" project. HMRC were owed £323,240 (£372,289 2008-2009).

There were no further WGA related balances outstanding.

Amounts relating to provisions for early retirement are included in Other creditors within creditors falling due within one year. Further detail is included in Note 12 below.

On the 27 April 2010, after the balance sheet date, notice of a dispute over fees being referred to the adjudication process was received from a contractor on the MoL project. On the 9th July, NML received the decision of an independent adjudicator concerning this dispute. Although NML's legal advice was that it was not probable that the claim would succeed, the judgment was in favour of the contractor.

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The value of the award has been fully accrued in the financial statements, in assets in the course of construction.

In May 2010 a further dispute with a contractor for the MoL was also referred to adjudication and on the 20th July NML was advised that the adjudication found in favour of the claimant. NML has since appealed this award and the value of the award was reduced to the elements of the original claim that were not disputed, and is accrued for.

On 12th January 2011 agreement was reached with a contractor to settle an ongoing dispute in order to avoid litigation. The value was substantially accrued for.

Special Payments

During the year there were two payments made that constituted "special payments". Both have been duly approved by the department and the HM Treasury respectively. The total amounts due and substantially accrued for in this note was £247,938. This included one contractor payment to the value of £134,774, and a second contractor payment of £99,890.

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12. Provision for Early Retirement under one year:	2010	2010	2009	2009
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Balance brought forward	10	10	32	32
Provision in year	-	-	-	-
Less payments in year	<u>(10)</u>	<u>(10)</u>	<u>(22)</u>	<u>(22)</u>
Balance carried forward	:	:	10	10

This represents early retirements prior to 2009-2010. There were no staff members who took early retirement in 2009-2010, nil (2008-2009).

13. Financial Commitments At 31 March 2010 NML had annual commitments under non-cancellable leases as follows:

	2010	2010	2009	2009
	Land & Buildings	Other	Land & Buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year:	-	7	-	7
In the second to fifth year	65	-	45	-
More than five years	<u>-</u>	<u>460</u>	<u>-</u>	<u>-</u>
	<u>65</u>	<u>467</u>	<u>45</u>	<u>7</u>

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

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

Commitments

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

	Within 1 year (£000)	2 nd to 5 th year (£000)	6 th to 10 th year (£000)	11 th to 17 th year (£000)
Payment commitments	460	1,958	2,736	4,444

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

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

Enabling works costing £850k have been treated as an asset under construction on the Museum's balance sheet. The supplier of the equipment has made a payment of £605k which will be released against the annual unitary payment due over the duration of the contract.

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14. Statement of Funds	At 1 Apr-09	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-10
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
Designated funds						
Collection purchase fund (Free)	72	-	-	-	(68)	4
Collection purchase fund	735	-	-	-	70	805
C&E admissions (Free)	63	-	-	-	10	73
Academic Publications (Free)	65	32	(40)	-	4	61
Miscellaneous (Free)	-	-	-	-	84	84
TFA - Capital reserve	78,733	-	(1,008)	(8,302)	-	69,423
TFA - Government grant ITF*	510	-	(10)	(30)	-	470
TFA - Government grant	32,845	3,448	(671)	(1,886)	-	33,736
TFA - General capital	4,788	-	(168)	(138)	519	5,001
TFA - NMGM ITF*	<u>3,650</u>	<u>-</u>	<u>(139)</u>	<u>(231)</u>	<u>-</u>	<u>3,280</u>
Total designated funds	121,461	3,480	(2,036)	(10,587)	619	112,937
General funds (Free)	<u>2,050</u>	<u>22,806</u>	<u>(21,748)</u>	<u>-</u>	<u>(595)</u>	<u>2,513</u>
Total unrestricted funds	<u>123,511</u>	<u>26,286</u>	<u>(23,784)</u>	<u>(10,587)</u>	<u>24</u>	<u>115,450</u>

* Into the Future

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 44.

The significant transfer between funds during the year was £591,606 from the General Fund to the General Capital Fund (Fixed Asset Additions).

Unrestricted Designated Funds:

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

**Revenue: Unrestricted
Designated**

Within this group are:

Collection purchase fund	for additions to the collections.
C & E Admissions fund	for the running costs and special projects associated with the UK Border Agency National Museum.
Academic Publications fund	for the production of professional material.
Miscellaneous	for minor contributions to revenue and capital projects

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

Tangible Fixed Asset Funds: Unrestricted

Within this group are:

TFA - Capital reserve	represents fixed assets transferred to NML. This came into being with the transfer of assets, upon the abolition of Merseyside County Council.
TFA - Government grant	for the purchase and development of fixed assets. The source of this fund is government department grant-in-aid.

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TFA - Government grant “Into the Future” (ITF)	a fund with a finite life created to reflect the special grant-in-aid assistance provided by the DCMS to address the clearance of asbestos specific to the <i>NMGM ITF</i> project.
TFA - General capital	for the purchase and development of fixed assets. The source of this fund is earned income.
TFA - NMGM ITF	for the purchase and development of fixed assets specific to the <i>NMGM ITF</i> project. The source of this fund is transfers from the General fund.

Unrestricted General Funds:

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

	At 1 Apr-09	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-10
	£000	£000	£000	£000	£000	£000
Restricted funds						
Collection purchase fund	8,721	608	-	-	-	9,329
Development fund Revenue	1,723	3,214	(2,762)	-	(477)	1,698
Tomlinson Fund	77	28	(4)	-	-	101
TFA - Development fund	24,010	-	(625)	(1,255)	453	22,583
TFA - Tomlinson	1,354	-	(90)	83	-	1,347
TFA - NMGM ITF - Lottery	23,522	-	(614)	(1,432)	-	21,476
TFA - Lottery	3,310	1,527	-	-	-	4,837
TFA - ERDF ITF	3,621	-	(69)	(218)	-	3,334
TFA - ERDF	5,943	187	-	-	-	6,130
TFA - Development fund ITF	1,700	-	(32)	(99)	-	1,569
TFA - NWDA	<u>34,810</u>	<u>4,592</u>	<u>(33)</u>	<u>(104)</u>	-	<u>39,265</u>
Total restricted funds	<u>108,791</u>	<u>10,156</u>	<u>(4,229)</u>	<u>(3,025)</u>	<u>(24)</u>	<u>111,669</u>

Restricted Funds:

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

The significant transfer between funds during the year was £452,531 from the Revenue Development Fund to the Capital Development Fund (Fixed Asset Additions).

Revenue: Restricted

Within this group are:

Collection purchase fund	for additions to the collections. The source of this fund is charitable donations and investment income derived from unconsolidated separate trust funds.
Development fund	for the financing of running costs of projects, curatorial activities and the museums and galleries exhibitions programme. The source of the funds is grants and charitable donations.
Tomlinson Fund	for the purchase and development of fixed assets for the Merseyside Maritime Museum, World Museum and the Walker Art Gallery in accordance with the legacy of Mrs E M Tomlinson.

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Tangible Fixed Asset funds: Restricted

Within this group are:

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

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

15. Analysis of group net assets between funds	Fund balances at 31 March 2010 are represented by:	Unrestricted Funds	Restricted Funds	Total
		£000	£000	£000
	Tangible fixed assets	111,207	109,745	220,952
	Net current assets excluding cash	1,184	111	1,295
	Cash	3,059	1,813	4,872
		<u>115,450</u>	<u>111,669</u>	<u>227,119</u>
	Unrealised losses included above:			
	On tangible fixed assets and investments	<u>(10,688)</u>	<u>(3,088)</u>	<u>(13,776)</u>

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16. HM Revenue & Customs Museum
 (formerly 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 2009-10 which is audited and published separately.

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

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

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

Capital Grants

The development of the permanent gallery and associated facilities has taken place 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:

	£000
Application of Funds	
Total funds received as at April 2009	1,469
Funds received in year	-
Virement from Revenue Grant	-
Total funds received as at 31 March 2010	<u>1,469</u>
Funds applied as at 1 April 2009	(1,469)
Funds applied in year	-
Funds applied as at 31 March 2010	<u>(1,469)</u>
Unapplied capital funding at 31 March 2010	<u>==</u>

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Running Cost Grant-in Aid

The funding position for 2009-10 is as follows:

Application of Funds

Unapplied funds as at 1 April 2009	89
2009-10 Grant-in-Aid	356
Repayment of b/f balance	-
	<hr/>
Total Available GiA funds	<u>445</u>
Virement to Capital funds	-
	<hr/>
Funds applied to the running of the museum	<u>(359)</u>
Unapplied funds as at 31 March 2010	<u>86</u>

**17. Gower St
Estates
Ltd.**

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

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

The company is managed by a Board of Directors all of whom are appointed by the members. NML's nominated director was Rachel Mulhearn from 28/01/2010 Mr. Anthony Tibbles, the previous director, left NML in June 2009. 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 £90,156.

**18. Capital
Commit-
ments**

The Museum of Liverpool dominates NML's recent and anticipated capital programme. £72.8m has been approved on the programme. Contracts to the value of £69m have been let and approximately £58m of this amount has been spent and funded; leaving a capital commitment of £11m.

Current projections indicate that the MoL project is substantially fully funded due to the confirmation of capital GiA receivable over the next four years together with other grants received and fund raising efforts.

The other significant capital commitment relates to ISM phase 2. To date expenditure of £330k has been made against an approved budget of £750k.

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19. Cash flow information

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

	2010	2009
	£000	£000
Net incoming resources	8,429	19,128
Depreciation	3,463	5,873
Depreciation revaluation	-	(72)
Loss on disposals	-	2
Interest received	(51)	(222)
Gifts	(463)	(50)
Decrease / (increase) in stocks	5	(3)
Decrease in debtors	516	3,670
Increase / (decrease) in creditors	675	(392)
Net cash inflow from operating activities	<u>12,574</u>	<u>27,934</u>

Reconciliation of net cash flow to movement in net funds

Increase / (decrease) in cash in the period		
Movement in net funds in the period	153	(492)
Net funds at 1 April	<u>4,719</u>	<u>5,211</u>
Net funds at 31 March	<u>4,872</u>	<u>4,719</u>

Analysis of net funds

	01-Apr 2009 £000	Cash Flow £000	31-Mar 2010 £000
Cash	<u>4,719</u>	<u>153</u>	<u>4,872</u>

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20 .Related Party Transactions

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

Additionally NML has conducted material transactions with other Government Departments and other central bodies; specifically the BIS formerly DTI, Heritage Lottery Fund, National Heritage Memorial Fund, Department for Children, Schools and Families (DCSF), HM Revenue and Customs and the Millennium 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

Name & Position	Related Party	Position	Income from Related Party £	Payments to Related Party £	Nature of transaction
Professor Phil Redmond CBE	LJMU	Trustee and Chair of International Centre for Digital Content		53,750	Online Game Research project
Sir Neil Cossons OBE	Museums Association	Fellow		6,947	Membership renewals and subscriptions and Conference Fees
Bryan Gray CBE,DL	Northwest Regional Development Agency	Chairman	4,591,836		Grant funding for the Museum of Liverpool and Waterfront Connections capital projects. Of this £1,378,744 is a debtor balance.
			1,200		Table at MoL fundraising dinner
Right Reverend James Jones	University of Oxford	Visitor to St Peter's College		11,800	Radiocarbon Dating
Mrs Alexis Redmond	FACT cinema / art gallery	Board member		66,283	Find Your Talent project

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	Liverpool John Moores University	Trustee		53,750	Online Game Research project
Anil Ruia OBE	University of Manchester	Trustee		2,050	Website usability evaluation/ Domain names renewal
				2,475	Laser Cleaning, production & installation of mounts / Low temperature de-infestation
Eva Wisemark Term expired 20/01/2010	Museums Association	Member		6,947	Membership renewals and subscriptions and Conference Fees

(b) Staff

Name & Position	Related Party	Position	Income from Related Party £	Payments to Related Party £	Nature of transaction
Dr David Fleming OBE	Bluecoat Arts centre	Board member		89,814	Find Your Talent Partner Claims
	The Mersey Partnership	Visitor Economy Committee Member		50,500	Research & Reporting of which £625 is a creditor balance
	International Council of Museums	Finance and Resources Committee		633	Subscription
	European Museum Trust	Vice Chairman	983		Temporary agency staff. This is a debtor balance

21. Contingent Liabilities

The Museum is in ongoing negotiations over final agreements on certain aspects of the Museum of Liverpool project. Any final amounts above or below those amounts provided in the financial statements (Note 11), will be recognised in future financial statements.

If uncertainty arises as to the economic benefit of any amounts payable, these may be the subject to impairment in subsequent periods.

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22. Post Balance Sheet Events

The May 2010 General Election brought a change in Government, which has declared a determination to deal with the public sector deficit by reducing public expenditure, amongst other initiatives.

On May 24th 2010, the DCMS wrote to NML advising of in year cuts of 3% in 2010/11. This followed a 0.5% cut which was also for 2010-11, notified to NML in February 2010.

The CSR settlement for NML was announced on 20th October 2010, imposing a cut of 15% in GiA resource funding over a four year period.

NML remains committed to continuing to provide a world class public service and has initiated a review of core activities to identify how it may be able to do more with less resource.

Significant cuts to Grant in Aid will have a major impact on the quality of service and community engagement, which NML provides.

In late 2010 NML introduced a Voluntary Early Retirement and Severance scheme which resulted in a staff reduction of 20 full time posts, providing cost savings for future years.

With effect from 1 April 2010 the UK Border Agency will take on responsibility for the financial responsibilities and ownership of the existing collections within the former HMRC museum. The formal name of the museum will become "UK Border Agency National Museum" and the visitor name "Seized! Revenue and Customs Uncovered"

Two matters relating to the MoL project were referred to adjudication post balance sheet date. One dispute went to adjudication in May 2010 and on the 20th July 2010 NML was advised that the judgment was in favour of the claimant. NML went to mediation to appeal against this judgment and the value of the award was reduced to the elements of the original claim that were not disputed. The second adjudication is discussed in detail in Note 11.

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

23. Connected Charities

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

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

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

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

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

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Tomlinson Fund

Statement of Financial Activities	Income £000	Capital £000	Total 2010 £000	Total 2009 £000
Incoming Resources:				
Legacies	-	-	-	-
Investment income	28	-	28	36
Resources expended:				
Legacy handling costs	-	-	-	-
Governance costs	(1)	(1)	(2)	(5)
Charitable Activities	-	(2)	(2)	-
Depreciation	-	(95)	(95)	(89)
Net incoming / (Outgoing) resources	<u>27</u>	<u>(98)</u>	<u>(71)</u>	<u>(58)</u>
Gains and losses on sale proceeds	-	24	24	-
Gains and losses on revaluation	-	64	64	(50)
Net Movement in Funds	<u>27</u>	<u>(10)</u>	<u>17</u>	<u>(108)</u>
Fund Balances at 1 April	77	1,354	1,431	1,539
Fund Balances at 31 March	<u>104</u>	<u>1,344</u>	<u>1,448</u>	<u>1,431</u>

The Trustees have expended £977,407 in respect of the distribution of capital and income to NML, this consisted of:

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

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24.
Investments

Year ended 31 March 2010

Summary	£000s
Carrying value (market value) at beginning of year	502
Add:	
Additions to investments at cost	331
Less:	
Disposals at carrying value	(113)
Add/deduct:	
Net Gain on sales and revaluation	<u>89</u>
Carrying value (market value) at end of year	<u>809</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.



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ISBN 978-0-10-297140-8



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