

National Museums and Galleries on Merseyside
Annual Report and Accounts 2013-2014

National Museums and Galleries on Merseyside Annual Report and Accounts 2013-2014

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National Museums & Galleries on Merseyside

Annual Report for the year ended 31 March 2014

Introduction

Legal and Administration

Status

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

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

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

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

Structure, Governance and Management

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

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

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

Trustees

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

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

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The Board of Trustees during the year comprised:

Professor Phil Redmond CBE Chairman
Prof John Ashton CBE
Carmel Booth
Laura Carstensen
Sir Robert Crawford CBE
Dr Clive Elphick
Joe Godwin
Nisha Katona
Norman A Kurland
Andrew McCluskey
Tony McGuirk CBE (resigned 31 December 2013)
Philip Price
Neil Scales OBE (resigned 31 December 2013)
Deborah Shackleton CBE
Dr Nicola Thorp

Due to the absence through illness of the Chairman for part of the year, Deborah Shackleton CBE was Acting Chair and Dr Clive Elphick took over as Chair of Audit and Remuneration Committee for that period.

Trustee committees

The following Trustee committees met during the year:

Audit Committee, Chair – Deborah Shackleton CBE and Dr Clive Elphick
Finance Committee, Chair – Carmel Booth
Remuneration Committee, Chair – Dr Clive Elphick

Register of interests

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

Related party transactions are shown in note 20.

Open government

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

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

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

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Principal and Registered Office of NML

World Museum
William Brown Street
Liverpool
L3 8EN

Bankers

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

Auditors

Consolidated Account

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

Trading Company

BWMacFarlane & Co
Castle Chambers
43 Castle Street
Liverpool
L2 9SH

Solicitors

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

Weightmans
100 Old Hall Street
Liverpool
L3 9QJ
for employment law

Wilson Gunn
Patent and Trademark Attorneys
5th Floor
Blackfriars House
The Parsonage
Manchester
M3 2JA

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Management

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

Director and Accounting Officer, National Museums Liverpool (David Fleming);
Executive Director of Development and Communications (Amy de Joia);
Executive Director of Finance (Ann Monk);
Executive Director of Collections and Estates (Sharon Granville);
Executive Director of Education and Visitors (Carol Rogers) and;
Director of Human Resources (Maxine Carden).

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

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

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

- World Museum (formerly Liverpool Museum) - William Brown Street, Liverpool;
- Walker Art Gallery - William Brown Street, Liverpool;
- Merseyside Maritime Museum - Albert Dock, Liverpool;
- International Slavery Museum - Albert Dock, Liverpool;
- Lady Lever Art Gallery - Port Sunlight Village, Bebington, Wirral;
- Sudley House - Mossley Hill Road, Liverpool;
- Museum of Liverpool – Mann Island; and
- Border Force National Museum (“Seized! The Border and Customs Uncovered”) - Albert Dock, Liverpool.

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

Human Resources

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

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

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

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

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

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The Trustees' strategic direction and resolutions are disseminated through the Strategic Plan, divisional and departmental meetings and circulation of Board minutes. A newsletter is issued covering current events and activities.

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

Disabled Persons

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

There are currently 40.4 full-time equivalent employees of NML who consider themselves disabled. Appropriate training is arranged for people with disabilities, including retraining for employees who become disabled.

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

Staff Resource Strategy

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

NML is aware of the need to maximise efficiency as well as responding to the challenges due to reductions in public funding. The NML Executive Team has been developing staff restructure proposals which will be the subject of joint consultation with the unions and, once agreed, are expected to be implemented in the next financial year.

Volunteer Programme

Volunteers make a significant and diverse contribution to the success of NML. They support us in all areas of the organisation in roles ranging from administrative, curatorial and conservation assistance to assisting with visitor services, education and communities.

NML is currently undergoing a restructure and has been unable to commit to new volunteers during the year. This has led to a temporary reduction in volunteer opportunities to 205 (2012-13 483).

Health & Safety Policy

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

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

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Director's Statement

This has been a frustrating and difficult year for NML. After a decade of continuous improvement and modernisation, resulting in a growing public impact and ever-increasing visitor numbers, and a consequent steep fall in cost-per-visitor, reductions in our grant-in-aid have led to job losses, cutbacks in programming, and the inevitable fall-off in visitor numbers, with a rise in cost-per-visitor. We now see our organisation diminishing in size and scope.

Nonetheless, NML remains one of the leading museum services in the world, run efficiently and effectively, showing how museum activity can be of real benefit to communities. Our expertise is in constant demand nationally and internationally. We are more influential than ever before. Our commitment to social justice is unwavering and we have become a pivotal part of the social and economic fabric of Liverpool and the surrounding area.

As a result of our performances, our reputation in the museum world continues to grow as a popular, emotional, critically-acclaimed, innovative and progressive museum service. The Annual UK Museums Association Conference was held in Liverpool in 2013, and we continue to garner plaudits and awards for our work.

We are doing everything we can to augment our income from central government, through trading and fundraising, but despite our income generation being more successful than ever, it is increasingly challenging to compensate for changes in public funding through income generation.

So, we continue to look to an uncertain future at a time when we ought to be celebrating our renaissance as one of the world's leading museums services, with staff and Trustee determination and commitment coexisting with anxiety and frustration.

What we can be sure of is that we will all continue to work hard to make NML as relevant as possible, with a social impact that is as great as we can manage. We have to find ways of innovating and continuing to deliver a public service that is first class, in a world that is shifting on its axis. We must remain extrovert, ambitious and determined.

Dr David Fleming OBE
Director and Accounting Officer

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Operating Review

For the financial year 2013-14, NML's mission has been *to change lives by enabling millions of people, from all backgrounds, to engage with our world-class museums.*

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

NML has continued to prioritise the public offer wherever possible and as a result NML did have a successful 2013-14. The following is a summary of NML's key achievements during the year.

Audiences

- We attracted 2.7m visits to our venues (a 17% decrease on 2012/13 which was the year we achieved our highest visitor numbers ever).
- There were 1.8m visits to the website in 2013-2014 compared to 2.1m last year (a decrease of 11%). This reflects the fact that there were fewer exhibitions, and fewer visits to the venues, both of which drive much traffic to the website.
- 176,228 children and young people took part in NML's education programme during the year (a 6% increase on 2012/13).
- We opened 19 exhibitions across our venues. Particular highlights included:
 - Our first full year's programme of changing displays at the Museum of Liverpool, including *April Ashley: portrait of a lady* – the first transgender exhibition we have staged;
 - *David Hockney: Early Reflections* at the Walker Art Gallery, exceeding visitor targets and gaining extensive media coverage;
 - *Alive in the Face of Death* at the Walker Art Gallery, delivered in partnership with the artist Rankin and the BBC. The making of the exhibition was featured in a BBC2 documentary. We received thousands of positive visitor comments;
 - *Titanic and Liverpool: the untold story* (extended throughout 2013/14) at the Merseyside Maritime Museum - our most popular exhibition ever with more than 1m visits so far;
 - *The Drawings of Edward Burne-Jones: A Pre-Raphaelite Master* at the Lady Lever Art Gallery, showing works from our collections;
 - *Turner: travels, light and landscape* at the Lady Lever Art Gallery, made up of paintings, watercolours and drawings from our collections;
 - *Telling Tales: the art of Indian Storytelling* at World Museum, drawn from our own collections, and artwork commissioned by us from Indian artists;
 - *Brutal Exposure: the Congo* – working with Anti-Slavery International and Autograph BP.

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- We developed a new digital strategy which gave direction to our increasing use of social media (NML now has more than 50,000 Twitter followers).
- We launched a redesigned website, improving the way in which we showcase exhibitions, events, projects and appeals, has clearer navigation, and is also fully responsive for viewing across mobile, tablet, and desktop devices.
- Our Education and Community teams produced a creative and engaging cultural education programme for schools, children and young people, adult learners, older people networks and community groups.
- We held a highly successful Slavery Remembrance Day in August 2013, with support from Liverpool City Council. Professor Verene Shepherd delivered the tenth annual memorial lecture. Mrs Gee Walker and volunteers from the Anthony Walker Foundation led the Walk of Remembrance, supported by Symon Sentain, Chair of the Stephen Lawrence Charitable Trust
- The Dr Martin Luther King Jr. building opened its doors to the public for the first time on 28 August 2013, marking the 50th anniversary of the *I Have a Dream* speech. NML visitors created a '*Field of Dreams*' art installation and were invited to view a series of short films produced by local young people. The event provided a platform for live poetry and dance and was supported by Clatterbridge Cancer Centre Trust and the City of Sanctuary.
- *Family Art Club* at the Walker Art Gallery was expanded due to demand and popularity. This session has grown from an initial 8 local families to 60 local families attending. Recent evaluation has demonstrated the impact of *Family Art Club* in sustaining and growing a family audience for the Walker Art Gallery.
- We produced 23 videos on the website including promotional videos for each venue and a new fundraising appeal to encourage people to leave a legacy to NML.

Collections

- A new environmental monitoring system was rolled out across all venues. This involved streamlining environmental monitoring at NML, by upgrading the monitoring systems at seven sites. The upgrade to a networked radio telemetric system allows access to data on relative humidity, temperature and light for multiple users. This system was previously tested at the Walker and Museum of Liverpool, where it proved reliable and easy to use. The implementation of a single monitoring system has reduced the amount of staff time needed to maintain the equipment, and enabled the delivery of a new strategy for environmental monitoring.
- The outward loans policy was revised to a charging model for loans to international museums and to UK exhibitions or institutions which have an admission charge. The revised policy came into effect on 1 January 2014.
- NML was successful in attaining funding for collections-related research from research councils, the Getty Foundation, Lord Leverhulme's Charitable Trust, and other academic sources. This will see important research undertaken in, for example, vertebrate zoology, the Tibetan collections, the botany collections, Roman antiquities, the West African collections, entomology and the Caribbean sculpture collections. This allows NML to maintain Independent Research Organisation status.

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- Progress in digitising the collections and making them available through the NML website continued throughout the year including the on-line catalogue of the fine art works on paper collections. The on-line catalogue *Watermark* (for landscape works on paper) was launched to the public in February 2014 to coincide with the *Turner: travels, light and landscape* exhibition.
- The Lady Lever Art Gallery South End Galleries development project attained a Stage 1 pass from HLF in September 2013, and work is continuing towards a Stage 2 application in May 2014.
- Curatorial research and input to the development of the exhibitions programme remains a priority and notable exhibitions in the year generated from NML's own collections included: *Turner: travels, light and landscape*, from our superb collections of Turner watercolours; the *Telling Tales: the art of Indian Storytelling* exhibition of Indian art and applied art brought this beautiful and appealing collection alive for family audiences. At the Merseyside Maritime Museum the *Titanic and Liverpool: The Untold Story* exhibition continues to be very popular; and at Sudley House the programme of costume displays bring animation to the historic house with this year's exhibition *20th Century Chic* featuring outfits dating from 1900 to 2000.
- Curatorial input into developing the exhibitions programme with partner organisations helps us to forge strong working relationships with national and local organisations most notably perhaps at the Museum of Liverpool where the partnership with Homotopia resulted in the inspirational *April Ashley: Portrait of a Lady* exhibition; and at the International Slavery Museum where the continuing partnership with Anti-Slavery International delivered the hard-hitting *Brutal Exposure: The Congo* photographic exhibition.
- Our 'live collections' of insects at The Bug House in World Museum enjoyed the benefits of a new enclosure for the Leaf Cutter Ants and Sunburst Diving Beetles developed by the education team in collaboration with a local plastic manufacturer; and in the Aquarium the education team developed a thriving Coral Reef display to provide a fantastic conservation education opportunity. Both are hugely popular with our visitors.
- Contemporary collecting and fieldwork continues in line with NML's Collections Development Policy and during the year we received generous donations from the public and benefactors. Notable accessions include: a bronze sculpture by Edward Degas *The Masseur*, accepted in lieu of Inheritance Tax from the estate of Lucian Freud; oil on canvas by Sam Walsh, *The Dinner Party*, accepted under the Cultural Gifts Scheme; two items presented to Able Seaman Joseph Parry in recognition of his bravery in saving lives at the sinking of RMS *Lusitania*, 1915, comprising a baby's shoe with the handwritten inscription "Lest we forget. *Lusitania* 7 May 1915" and The Sea Gallantry Medal; a 1975 Ford Escort 1100 transferred from Coventry Transport Museum; c.800 botany specimens collected by NML staff and participants during OPTIMA fieldwork in Sicily; The Dr Malcolm Luxton collection of soil mites comprising c. 1800 microscopic slides, c. 860 spirit tubes, c. 8m reprints, documentation and manuscripts.

Education

- In partnership with the Liverpool Schools Parliament, the International Slavery Museum's education team launched a new resource, *Legacies* for secondary school students. Ten schools attended and debated issues around race and citizenship. The

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event was attended by the Lord Mayor and Young Lord Mayor.

- Seven members of the Education team at World Museum have been awarded STEM Ambassador status to provide inspiration for young people to get involved in extra-curricular Science, Technology, Engineering and Mathematic activities.
- *The Battle of the Atlantic 70th Anniversary* at the Maritime Museum included a talk from TV presenter and historian, Dan Snow. The audience included 94 year old veteran Dr Canti whose rare photographs of action on the Atlantic were also screened in a short film.
- The Museum of Liverpool Education team hosted the *Liverpool Primary Head Teachers' Annual Conference* which also saw the launch of the *Liverpool Learning Partnership*. Liverpool Mayor Joe Anderson welcomed more than 100 Head teachers to the Museum.
- Liverpool Healthy Schools have adapted NML's drugs and weapons session offered to schools at the *Seized!* Gallery for use across their network.
- In 2013-14, the award-winning *Living with the Forties* session, delivered by the Liverpool Women's History Society, reached its 25th year. The volunteer led group share personal experiences of the Second World War with local school children.
- An exhibition of young people's artwork opened at the Lady Lever Art Gallery. *Fresh perspectives: Art from Wirral Schools* exhibits paintings, drawings, textiles and collage produced by students from Prenton High School, South Wirral High School, Wallasey School and Weatherhead High School.
- The Walker Art Gallery team delivered workshops at the Liverpool *Early Years Conference 2013*. The workshop focused on using creative approaches to painting with very young children and reached almost 300 early years practitioners.
- NML hosted a visit from 70 undergraduate students from the University of Liverpool Biological Sciences degree course at World Museum. The visit included talks and collection tours. The results of the visit will inform future programming.
- We worked on a collaborative project with Blue Ocean Planet to deliver a series of field and classroom sessions to Liverpool schools. The programme culminated in art sessions which produced marine murals highlighting the threats facing our sea.
- In January 2014, 32 students from Edge Hill University and the University of Chester took part in one day training sessions at the art galleries to support teaching and learning. This is an important initiative which informs newly qualified teachers about NML's education resources for schools.
- The Art Galleries team continued to work with students from Weatherhead Academy, who are training as museum interpreters as part of Leadership Skills development in Year 12. Work included undertaking a critical review of the Lady Lever Art Gallery as part of the Stage 2 application to the Heritage Lottery Fund.
- The Deputy Director of Education successfully completed the year-long British Council funded *Heritage Without Borders* project, to provide support and guidance regarding an education and infrastructure programme for the new National Museum of Egyptian Civilisation in Cairo.

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Team

- We continued to operate on a significantly reduced running costs budget and lost a further 3 staff through voluntary redundancy.
- ET finalised proposed restructure plans which result in the loss of 38 FTEs from September 2014 onwards.
- We continued with the recruitment freeze and recruited internally for most vacancies.
- An average 1% pay increase was awarded to all staff in line with the Government's pay remit.
- We continued to coach, train and develop our teams to maximise and prioritise our resources within the context of reshaping and reorganising NML. We also try wherever possible to secure external funding to enable our staff to attend external courses. We reintroduced the Forward Job Plan process to support staff with the changes.
- Two members of the Art Galleries Education Team attended a course to become trainers for the *Discover and Explore* and Bronze and Silver Arts Award. This will enable NML to deliver more training for Arts Award advisors in 2014.
- NML staff produced two of three core themes for the 2013 Museums Association national conference in Liverpool: the *Therapeutic Museum* and then *Emotional Museum*.
- The education teams from The Walker Art Gallery and Museum of Liverpool also supported the Museum Association conference by facilitating an early years session. The workshop involved speakers from *Little Liverpool* and *Big Art for Little Artists* as well as partners from Liverpool Hope University and Liverpool Children's Services.
- Following completion of stage 1 of the HLF *Skills for the Future* project, six more trainees commenced placements on 1 March. The trainees are based at the Manchester University Museum, Whitworth Art Gallery and Ordsall Hall, Salford. Four more staff were trained as qualified assessors.
- The Finance team began to develop its skills base to ensure that continuously changing technical requirements can be met both in terms of statutory reporting and DCMS requirements.
- We created and implemented a new, much improved staff Intranet.
- A restructure of NML Trading Ltd was completed, to support the growth of the business.

Buildings

- We delivered a programme of display maintenance across all venues, with more than 500 tasks completed.
- Concept designs were produced for the new galleries planned for the south end redevelopment at the Lady Lever Art Gallery.
- Infrastructure works were completed at the Lady Lever Art Gallery to enable the forthcoming development of the south end of the Gallery and included surveys of the

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building fabric, waterproofing works to the basement and roof repairs including the installation of new roof lights to improve the flow of natural light into the galleries and assist in environmental conditioning.

- At the Walker Art Gallery a new public cloakroom with lockers and a schools' lunch room was developed utilising some of the ground floor space.
- A new frontage was built onto the Juniper Street building, our main collections store, which has improved security, environmental conditions and heating within the store. Works also include; the installation of dehumidifiers in the carriage store, upgrades to the building management system and fire alarms.
- The former Pilotage Building, which was previously part of the Museum of Liverpool Life, has been refurbished which has consolidated the fabric of the historic building and also fully remodelled the internal spaces to bring it into use as offices for the Museum of Liverpool, Maritime Museum and International Slavery Museum teams.
- The Martin Luther King Building ground floor atrium has been stripped back to its former glory and developed as a public space for commercial hiring as well as Slavery Museum - related public events. Additionally the lift and toilets have been replaced bringing the poor facilities, which were in situ when the building was acquired by NML, up to a good standard for public use.
- Upgrades to NML's car parks and barrier systems have improved security and also made them more attractive to commercial hire.
- During the last quarter of the year an intensive maintenance programme was delivered including; painting and decoration of public spaces at all of the museums and galleries, grounds maintenance and other small works. This saw much needed and long awaited improvements being made to the presentation of all of our venues. This included areas such as the Lower Horseshoe gallery at World Museum, which is used for programme activity and is also popular for commercial hiring. The ground floor toilets at the Maritime Museum were totally refurbished with new bright and accessible facilities replacing the dark, cramped and inefficient old ones.
- In line with NML's energy efficiency policies LED lighting was installed in World Museum within back of house areas and the aquarium, and at the Sculpture Gallery at the Walker.

Partnerships

Our networks were strengthened during the year across multiple sectors including: education; business; health and social care providers; the regional and national cultural sector; the voluntary sector; and our international cultural and educational partners. Highlights include:

- A new House of Memories programme was delivered to the regional housing sector, October 2013. Four local housing providers (Regenda, Riverside, Liverpool Mutual Homes and Knowsley Housing Trust) funded the initiative, which received an excellent response from 600 housing workforce participants.
- The Department of Health continued its support to extend House of Memories in the Midlands region (with museum/cultural partners in Birmingham, Leicester and Nottingham).
- NML is a registered partner of the newly formed Merseyside Dementia Action Alliance

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and will contribute to quality assurance training, raising awareness and community engagement initiatives, supporting people living with dementia.

- We have established an exhibitions network with the national museums outside London (Ulster, Edinburgh and Cardiff) to work together to share best practice in museum exhibition design, and develop collaborative projects.
- We secured the status of International Council of Museums (ICOM) Affiliated Organisation for the Federation of International Human Rights Museums (FIHRM). The importance of addressing human rights issues in museums has been formally recognised by ICOM and FIHRM now has an official voice in the global museum community. We also delivered the annual FIHRM conference in Rio de Janeiro, Brazil in August 2013, as part of ICOM General Conference and in collaboration with The International Committee of ICOM (INTERCOM).
- As part of the relationship agreement with Liverpool Hope University, the new MA in Museum and Heritage Studies was successfully delivered for the first full year. NML delivered a series of practical sessions to run alongside each of the taught modules and provided placements for the students.
- We have established a formal relationship with the Fundación Estudios Litoral Argentino in Rosario Argentina to act a special adviser on concept development and project management of a new museum on democracy – the International Democracy Museum.
- We successfully handed over the administration of the European Museum Forum (EMF) to the ICOM Headquarters in Paris. NML continues to provide Board representation and Company Secretarial support to EMF.

Advocacy

We had 2,343 media mentions worth £7m Estimated Advertising Value (EAV). This was slightly down on 2012-13.

- We were delighted to have won the following awards:
 - NHS Education North West Award 2013 (Learning Together in Health and Social Care): *House of Memories*
 - National Historic Ships UK and Marsh Christian Trust Volunteer Award 2013: Jimmy Dulson and George Colinson (volunteers on the Edmund Gardner)
 - Juice Style Awards (the Visitor Award): Museum of Liverpool
- We were shortlisted for the following awards: Echo Environment Awards (Museum of Liverpool, Eco Vikings); Wirral Tourism Excellence Awards - Outstanding Customer Care (Kristina Zavros, Lady Lever Art Gallery); Museums and Heritage Awards 2013 (NML Trading conference and events); Don't Panic – UK Public Sector Communication Awards (NML website redesign).
- We have been shortlisted for three major awards, with results to be announced in 2014: Museums and Heritage Awards 2014 (*House of Memories – Northern Model*, and NML Trading Christmas party programme); Visit England Awards for Excellence 2014: *Titanic and Liverpool: The Untold Story*.
- All NML museums and galleries and the Maritime Dining Room received TripAdvisor Certificates of Excellence.

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- The Social Justice Alliance for Museums (SJAM) led by NML was successfully launched in November 2013 with 43 founder members including museums, related institutions and organisations from media, health and third sector. The aim of SJAM is to create a collective voice to support the concept of social justice in museums. By the end of 2013/14, 167 organisations and individuals had signed up to the SJAM charter.
- We published several new NML corporate publications including *The Power of Museums* (highlighting the economic and social impact of NML), and three booklets promoting our formal learning offer.

Income

We continued to develop our strategy to generate free income during the year. This includes the following highlights:

- Other income increased by 45% compared to the previous year. This was due to income from car parking, touring exhibitions, photography and fees and charges activities totalling £866K (2012-13, £597K).
- NML Trading Ltd made a £393K net profit, significantly surpassing its profit targets for the year.
- The online shop was re-launched, with a new design, better photography, increased product ranges, which (along with strong social media promotion) led to a 62% increase in sales, and now reaches more than 41,000 unique users.
- Project income of £367K was recognised in year including £133K from the Department of Health towards *House of Memories* for activities in the Midlands area.
- We negotiated our first fine art exhibition tour to five venues in Japan (the tour will begin in 2015).
- We published a number of commercial publications, including a new Lady Lever Art Gallery souvenir guide, a new Maritime Museum guide booklet, and a second edition of the highly successful International Slavery Museum guidebook.
- Following the introduction of advertising to the NML Family Guide and the Exhibitions and Events Guide, we secured advertising for all six editions produced during the year.

Fundraising

- Our donations boxes raised over £200K While this is down slightly on last year (2.9%), it shows a strong performance given the visitor number drop of 17%.
- We secured major trust and foundation funding support (cash and pledges) for our capital developments and public programmes, including:
 - £149K from Heritage Lottery Fund which forms part of our Stage One pass (£1.4m) towards the South End Development at the Lady Lever Art Gallery.
 - £300K from the DCMS/Wolfson Museums and Galleries Improvement Fund awarded towards the Lady Lever Art Gallery South End Development.
 - £300K from Lord Leverhulme's Charitable Trust towards the South End capital development at the Lady Lever Art Gallery.

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- £80K from The Headley Trust towards the South End Development at the Lady Lever Art Gallery.
- £25K from The Granada Foundation towards the South End Development at the Lady Lever Art Gallery.
- £77K towards our Modern Masters exhibition from the Liverpool Local Enterprise Partnership's (LEP's) Place Marketing ERDF bid.
- The Arts and Humanities Research Council (AHRC) awarded £140K towards the Black pitch, carved histories: Prehistoric wood sculpture from Trinidad's Pitch Lake project. This success also secures NML's Independent Research Organisation (IRO) status with AHRC for another five years.
- As well as raising £50K from John Moores Liverpool Exhibition Trust towards the John Moores Painting Prize 2014, we secured three new sponsors: David M Robinson (sponsoring the 2014 first prize); Weightmans (sponsoring 2014 and the two subsequent Prize exhibitions in 2016 and 2018); and Investec. In addition, Rathbones agreed to sponsor the Visitors' Choice award again for 2014.
- We launched two public appeals for the Lady Lever Art Gallery: the Centenary Club and Patrons' Circle. Funds raised will support our South End Development at the Lady Lever Art Gallery.

Efficiencies and effectiveness

To manage on-going reductions to our funding, we have continued to develop our Making Choices programme which is focused on restructuring NML and how we work in line with the revised funding base whilst aiming to maintain sufficient flexibility to respond to opportunities. The following are examples of activity in this area:

- Improvements have been made to NML's education bookings system to make it easier for schools to arrange group visits.
- A new quarantine and research system has been installed in the Aquarium at World Museum. This system replaces an outdated set of tanks, improving our facilities and will enable ecology research and propagation of endangered marine species.
- A new HR and Payroll system has been implemented over the last nine months of the financial year and will be effective from 1 April 2014.
- Installation of replacement servers to cover most systems and roll out of a Virtual Desktop Environment is significantly improving response times and flexibility of working across sites. Implementation will continue during 2014-15.
- We have made improvements to IT disaster recovery, reducing recovery time and providing a robust environment with the most up to date server software.
- Other financial reporting processes have been improved during the year enabling more effective monitoring of capital, projects and restricted income. Improvements to reporting are part of an on-going process to adapt to continuously changing requirements.

We procured new exhibition furniture, including display cases, walling systems, plasma screens and lighting which will help reduce the set up costs of exhibitions in the future.

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Strategic Objectives for 2014/15

With reference to our Strategy Statement at the beginning of this Strategic Plan, our major priorities over the next year are:

- **To continue to mitigate the effects of funding cuts.**
- **To do our best to continue to deliver an excellent, socially inclusive, entrepreneurial and sustainable museum service.**
- **To manage the reduction in scale of NML, while striving to maximise our public impact.**
- **To develop a new income generation strategy.**
- **To develop a new strategy for increasing philanthropic support for NML.**

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

In the face of severe cuts in our funding support, we will need to refocus efforts onto augmenting our income and pursuing productive partnerships, at the same time as doing all we can to maintain morale among our staff and volunteers.

Financial Review

Overview

NML receives the majority of its revenue and capital funding from the DCMS, in the form of Grant-in-Aid. For the year NML received £20,912,000 (£22,061,000 2012-13).

As a result of Grant-in-Aid funding reductions NML continued with its Making Choices programme which saw a reduction of 3 staff during the year (53 staff 2012-13) due to the third voluntary exit programme which was provided for in the 2012-13 financial year. This resulted in a reduction in activity and in year savings on staff costs. NML will continue to review its operations to ensure that appropriate contingency plans are in place and that it continually strives to deliver excellent value for money.

The consolidated revenue free funds are shown on page 23. The deficit for the year was £170,000 resulting in a total revenue free fund balance of £4,678,000 as at 31 March 2014.

Net incoming resources, before transfers and gross indexation of tangible fixed assets, for the year showed a deficit of £2,984,000. The unrealised surplus on revaluation of land and buildings as at 31 March 2014 produced a gain of £23,779,000. A revaluation of investments produced a surplus of £13,000 resulting in a total increase in revaluation funds of £23,792,000.

Reserves Policy

The consolidated free income reserve available at 31 March 2014 was £4,678,000 (£4,848,000 2012-13). This is inclusive of designated funds of £290,000 (£268,000 2012-13) and the general fund £4,388,000 (£4,580,000 2012-13). The General fund includes £173,000 which is the fixed asset representation of the subsidiary trading company. The resulting free income reserve representation is £4,215,000 (£4,393,000 2012-13).

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

The current spending review covers the period to 2015-16 and shows a reduction in resource Grant-in-Aid of 28% in real terms since 2010-11. The DCMS have also notified NML that further reductions in the next two years (2014-15 and 2015-16) could be imposed and contingency plans should be in place. As a result Grant-in-Aid funding no longer carries the level of certainty that could be relied upon in the past.

The level of free reserves is set to provide what is considered to be a reasonable contingency for a shortfall in income from NML's funding and any cash flow risks (whether due to timing or other factors) on capital projects, restructuring costs and other unforeseen liabilities. However on-going financial planning is essential to identify any potential issues at the earliest opportunity.

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

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Whilst Grant-in-Aid represents a significant proportion of NML's gross income (67% in 2013-14) and is therefore less volatile than self-generated income, the Trustees remain concerned about the levels of reserves, particularly given that further reductions to Grant-in-Aid could be imposed during the coming financial years.

The Trustees have determined that the current level of reserves will be adequate in respect of 2014-15 although this should continue to be reviewed during the year so that any issues are identified at the earliest opportunity. NML's ability to generate any increase in the general reserve will continue to be an area of focus to provide contingency for any further reductions to funding.

Capital Programme

The outcome of a legal case for rectification of design errors on the external steps and terraces to the Museum of Liverpool, found in favour of NML with damages and costs on account being awarded to a total of £3.1m within the financial year (£2.4 damages and £0.7m costs on account). The outcome of the case was linked to the final account for the construction of the Museum which remains to be agreed.

The capital programme was focussed on smaller projects including critical repairs and refurbishments, the continued upgrade of equipment for IT systems and flexible exhibition display equipment.

In compliance with the Charities SORP 2005, NML commissioned Drivers Jonas Deloitte to carry out a full "red book" valuation of its land and buildings, as at 31 March 2012. As in the previous year, this year an index was applied to buildings and a desktop valuation to land by Drivers Jonas Deloitte.

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.

In order to validate the carrying net book values of the land and buildings between quinquennial full valuations, NML has sought to reconcile the overall m² across the estate. This has revealed an omission of 5,596 m² at World Museum and the Walker Art Gallery which has been corrected through revaluation in this financial year.

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.

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Fundraising

We continued to attract support from a wide variety of sources including public sector funders, Lottery, trusts, foundations, corporates and individuals. NML would like to thank all donors, sponsors and grantors who have contributed throughout 2013-14.

Major grant payments recognised in the financial year were received from:

- Heritage Lottery Fund and ERDF towards the finalisation of the fit-out of the Museum of Liverpool;
- Department of Health towards the House of Memories programme for activities in the Midlands area;
- European Regional Development Fund (ERDF) through the ***Liverpool City Region Local Enterprise Partnership's*** Place Marketing bid towards our Modern Masters exhibition series; and
- Lord Leverhulme's Charitable Trust, The Headley Trust, The Granada Foundation - towards the South End capital development at the Lady Lever Art Gallery.

The American Friends of National Museums Liverpool Inc. (AFNML) made grants in year to the International Slavery Museum, the Merseyside Maritime Museum and World Museum.

Four organisations became members of NML's corporate membership scheme during 2013-14. David M Robinson Ltd, R S Clare & Co Ltd, Mersey Docks & Harbour Company – Peel Ports, and the University of Liverpool.

Our donations box income was more than £200,000 for the second year running, despite NML seeing a drop in visitor numbers this year.

In late 2013-14 we launched a two tiered public appeal to assist with the fundraising efforts for the Lady Lever Art Gallery South End Development: The Lady Lever Art Gallery Patrons' Circle and the Centenary Club.

Development Trust

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

- Professor Phil Redmond CBE (Chairman);
- John Bodie OBE (Vice Chairman);
- Jo Bowen-Jones;
- Barry Flynn;
- Rt Hon Baroness Gloria Hooper CMG; and
- Julian Rathbone.

Trading Subsidiary

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

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

In 2013-14 NMLT made a profit of £393K which will be donated to NML by way of Gift Aid.

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Border Force National Museum

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

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

There were nil capital grants due or received during the year in respect of the "Seized! The Border and Customs Uncovered".

With effect from September 2012 the Border Force took on responsibility for the financial responsibilities and ownership of the existing collections within the museum.

Connected Charities

Nine charitable trusts, whose legal existence pre-dates that of NMGM, are connected to NML's activities via a commonality of trusteeship and a close association of charitable purpose. The accounts of the trusts are not consolidated with that of NML (note 23).

Speke Hall

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

Grants

The Board of Trustees of National Museums Liverpool has made grants to the NML Foundation of £1,510,000 in support of its charitable objectives. Including the grant to Speke Hall the total amount of grants made in the financial year was £1,650,000.

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 2013-14 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 2013-14 92% (2012-2013 87%) of NML's creditors were paid within 30 days of receipt of the invoice.

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

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Principal risks and uncertainties

In 2013-14, £20.9m (67%) of NML's gross income derived from Grant-in-Aid from the DCMS. In addition revenue Grant-in-Aid of £247k was received from Border Force. The remaining operating expenditure was financed from self-generated income which tends to be more volatile in nature compared to Grant-in-Aid. NML is therefore exposed to some liquidity risk.

Any new on-going capital programme is dependent upon the successful generation of grants and donations and the receipt of these funds.

A well-managed, planned maintenance programme is essential to maintain the quality of NML's buildings. This ensures that they do not fall into a state of disrepair and in turn minimises the risk to public safety and the collections.

Provisions have been made in respect of restructuring costs, due to a constructive obligation existing regarding redundancies expected to take place in the 2014-15 financial year, and the final account for the construction of the Museum of Liverpool.

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

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

Donations made

There were no charitable donations, or political donations paid during the financial year 2013-2014.

Investments

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

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

Investment income

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

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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 2013-2014	2014	2013
	£000	£000
Incoming resources		
Grant-in-Aid DCMS	19,431	20,646
Incoming resources from generated funds:		
Other grants and donations	243	230
Merchandising income of subsidiary company	3,482	3,648
Investment income	47	34
Incoming resources from charitable activities	4,352	952
Total incoming resources	27,555	25,510
Resources expended		
Costs of activities in furtherance of the objects of the charity:		
Fundraising costs	356	378
Costs of subsidiary company merchandising	2,922	3,010
Charitable activities;		
Operating expenditure (excluding depreciation)	22,306	18,865
Grants to third parties	1,650	150
Fees & charges activities of charity staff	320	407
Governance costs	249	267
Total resources expended	27,803	23,077
(Deficit) / Surplus on free income funds before transfers	(248)	2,433
Transfers to/from funds	78	403
(Deficit) / surplus on free income funds for the year	(170)	2,836
Balance brought forward at 1 April	4,848	2,012
Balance carried forward at 31 March	4,678	4,848
The balance on free income funds comprised:	2014	2013
	£000	£000
Border Force admissions	113	103
Academic publications	107	95
Miscellaneous	70	70
General funds	4,388	4,580
Balance at 31 March	4,678	4,848

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd £173k is contained within the General funds balance. The full NMLT representation within the fund is £373k.

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Capital Projects

This financial year saw a number of smaller sized projects carried out including critical repairs and refurbishments.

Audit

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2013-14. The audit fee in respect of this work was £47,000. BWMacfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £9,049. Non-audit services were not provided by either of these auditors.

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

Sustainability Report

Summary of performance and future strategy

NML is committed to sustainability and sustainable development, and has been working hard for many years to understand, manage and reduce energy consumption across its estate, and in doing so, reduce the carbon impact on society. NML is pleased to report that its “Carbon Equivalent” impact in 2013/14 has reduced by 7.3% through a reduced demand for Electricity and Gas, although this is also in part due to a mild winter and a warm summer during this reporting period.

Sustainability is included within NML’s vision and values and is an integral part of its strategic objectives. NML produced an Energy and Environmental Policy 13 years ago, which led to the implementation of energy saving environmental measures, resulting in accreditation from the National Energy Foundation as an energy efficient organisation in 2002. This early policy has since developed into a Sustainability Policy, which may be found on the NML website at;

www.liverpoolmuseums.org.uk/sustainability/

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

The Museum of Liverpool, which opened in July 2011, was designed as a 21st century building, and has received acclaim for its green initiatives. The museum is powered using state-of-the-art renewable and energy efficient technologies. The Combined Heat and Power plant enables the site to operate on power generated directly on site. Work is on-going in the negotiation of an electricity export agreement to allow income to be gained from the installed system.

The building also benefits from a rain water harvesting system which supplies ‘grey’ water to the museums toilets. Prior to opening in July 2011 the building achieved a BREEAM rating of Very Good, and an A rated energy performance certificate.

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

NML is a member of the International Association of Museums Facility Administrators (IAMFA). From this group a working party, representing estates and conservation departments, meet every six months to discuss and evaluate the effect of environmental requirements on energy consumption. The main aim of this group is to understand requirements and to look for ways to reduce the future dependence on fossil fuels for providing environmentally suitable conditions. NML, through its conservation science department, has presented a paper at the Munich “Climate for Collections” conference on the reduced dependency of air conditioning in favour of portable humidifiers to deliver controlled conditions.

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Greenhouse gas emissions

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

A Performance League Table including 2,104 participants was released in December 2011, placing NML joint first. This high standard was achieved through the initiatives taken over time in improving the measurement and management of energy.

Estate wide Carbon impact

Area		2011-12	2012-13	2013-14
Greenhouse Gas emissions		10,100 t CO ² e	9,904 t CO ² e	9,179 tCO ² e
Estate energy	Electricity consumption	11,949,047 kWh	11,438,059 kWh	10,925,178 kWh
	Expenditure	£948,540	£952,710	£1,029,585
	Gas consumption	19,804,230 kWh	20,246,643 kWh	17,803,660 kWh
	Expenditure	£544,872	£580,701	£521,522
Estate Waste	Amount	217.7 tonnes	202.8 tonnes	205.6 tonnes
	Expenditure	£33,588	£35,536	£35,824
Estate Water	Consumption	36,792 m ³	38,792 m ³	40,521 m ³
	Expenditure	£56,190	£61,551	£65,619

Note: The statistical information in the table above relating to gas emissions, gas and electrical consumption is from NML's annual CRC report. Costs have risen in line with inflation.

Waste minimisation and management

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

Biodiversity and Natural Environment

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

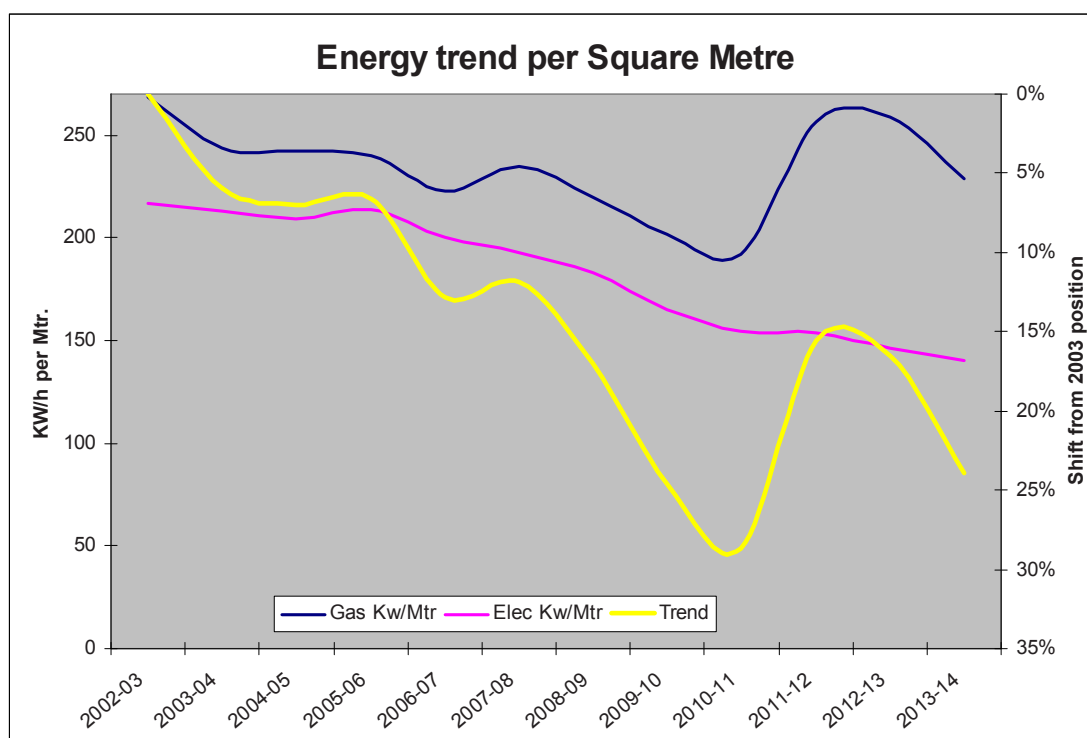
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It is important that visitors understand the role played in supporting the protection of the natural world. Through education programmes and the Clore Natural History Centre, Aquarium and Bug House at World Museum in particular, staff take the opportunity to talk to visitors about issues such as climate change and the importance of natural resources. NML has been able to reinforce these messages through the special exhibition programme at World Museum with displays, trails and activities focusing on the theme of biodiversity. A city wildflower meadow is also being established in front of World Museum and the 150 native plants species that have been established are providing valuable urban habitat for birds, bees and other wildlife.

The biodiversity advisory services supplied by NML's scientists help to support people's enjoyment of the natural environment. This research informs species conservation and general site management locally, nationally & internationally. The work contributes towards major national issues that affect the quality of all peoples' lives e.g. sustainable resource management, environmental protection, landscape preservation & the development of energy, transport & other infrastructures.

Resource consumption

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



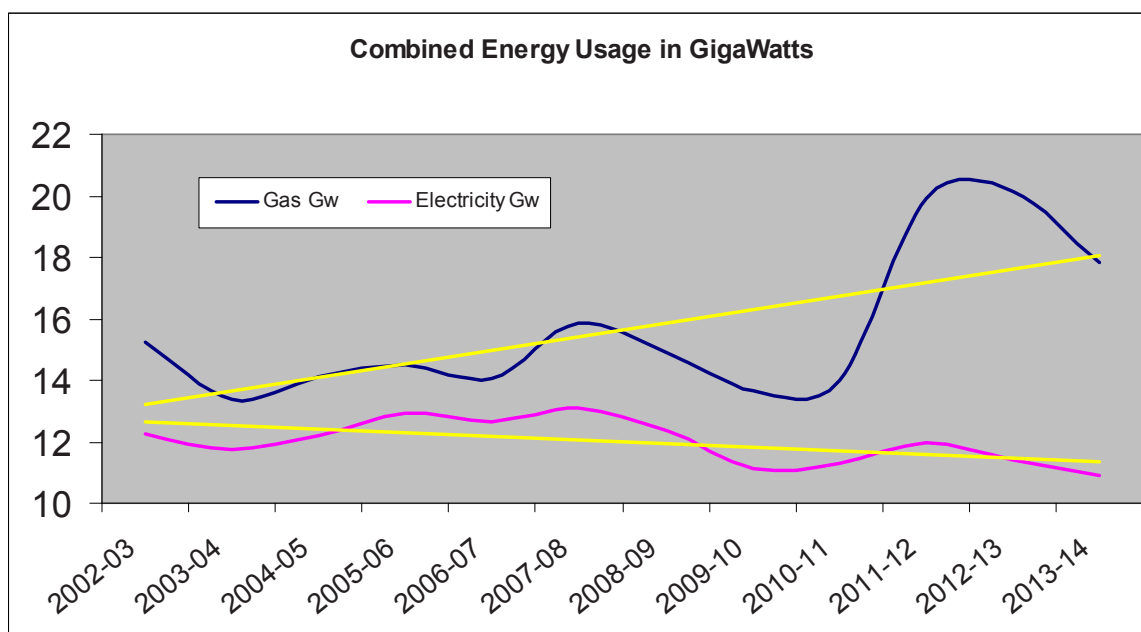
In July 2011 the new Museum of Liverpool building opened with its expected increase in energy consumed. As NML has developed its understanding and management of the relationship between the CHP supply and building demand, the energy trend has reduced significantly, bringing the current energy use trend to 24% below its 2002-03 peak.

In dealing with areas of significant consumption, a number of issues were targeted. The electrical infrastructure of NML's estate, given the age, nature and use of the different venues had been altered and added to over the last 40-50 years, leading to (in places) inefficient electrical performance. This led to two specific schemes:

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- the introduction of power factor correction equipment in the World Museum and the National Conservation Centre, to reduce the adverse effect of motors and fluorescent lights on the efficient use of electrical power;
- the introduction of a voltage optimisation system at World Museum. An energy stabilising and reducing system was installed, which has delivered an average of 7% reduction in electrical consumption at the venue (which is the highest energy consuming building on the Estate). In August 2013 a power quality report was commissioned on this installation which identified that the system had exceeded expectations and measured a 9% reduction in overall power consumption.

The opening of the Museum of Liverpool in 2011 saw a rise in energy consumption and CO² emissions. However, after closely monitoring the pattern of energy usage and continuously reviewing performance, an altered energy supply strategy has resulted in a reduction of 1.3Gw of gas since the baseline 2011 year.



NML's gross Gas use is naturally higher since the opening of the MOL, but is now being managed down as previously explained. Gross Electricity use continues to reduce, this being due to a combination, of increased efficiencies in equipment, and continued improvements in infrastructure.

2013-14 Sustainability focused projects

In the operating year 2013-14, NML has invested extensively in energy efficient LED lighting schemes in:

- The Martin Luther King building Atrium;
- The ground floor crescent (Richard Foster Wing) in the World Museum;
- The Sculpture Gallery in the Walker Art Gallery;
- The Horseshoe Gallery in the World Museum; and
- The Aquarium facilities both front and back of house in the World Museum.

Attention once more focused on the high cost per m² of energy use in the National Conservation Centre and a scheme was designed and recently delivered to install improved energy efficient boilers and closer environmental control. This building management system will provide the ability to reduce gross energy consumption

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whilst maintaining environmental control in the conservation studios which still require steady state temperature and humidity.

Climate change adaptation and mitigation

NML is committed to reducing energy usage and waste to help play its part in climate change mitigation. NML encourages the use of public transport for visitors and staff, as well as cycling with secure racks provided at all museums. In addition showers, lockers and bicycle loan schemes are available for staff.

In exceeding the targets set in 2002 for the reduction of energy consumption, NML has over the last 12 years reduced its carbon emissions per m² by more than 25%.

Sustainable procurement and construction

NML aims to procure and manage its assets in the most effective way possible, for the procurement of utilities NML uses the government procurement solution operated by the Crown Commercial Service.

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

NML is continuing with a programme of replacing printers with multi-functional copier/printer devices. This is enabling the organisation to reduce the number of printers per member of staff significantly, and has reduced paper usage whilst improving information security. Physical prints are not generated until staff confirm the request at the printer, helping to reduce unnecessary prints. As existing photocopiers come out of contract, NML will continue to migrate to the preferred multi-functional devices.

People

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

A study carried out by England's North-West Research Service in 2013 found that NML was worth £97.2m to the economy of the Liverpool City Region. This includes visitor spend, staff direct and indirect spend, and the use of local suppliers. For further details see;

<http://www.liverpoolmuseums.org.uk/about/corporate/reports/nml-social-and-economic-impact-report.pdf>

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Environmental Management System (EMS)

NML has a number of systems to check and manage its environmental impact, principally within the use and distribution of its energy resources, NML is confident of its ability to manage these effectively and under repeated review we have been awarded, and subsequently retained, the Carbon Trust Standard.

Governance

NML invested in a comprehensive Environmental Monitoring System, which is common in all buildings. The provision of an extra 200 sensors can now be accessed by key staff throughout the venues, giving closer control of the conditions. Dovetailed into this is the improved ability of staff and contractors to view this new system alongside the Building Management System and thus more accurately control and improve energy efficiency.

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

Remuneration Report

The membership of the Remuneration Committee for the year ending 31 March 2014 comprised:

- Chair of Remuneration and Audit Committee – Dr Clive Elphick
- Board of Trustees, Acting Chair – Deborah Shackleton CBE
- Finance Committee, Chair – Carmel Booth

The role of the Remuneration Committee is to:

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

All staff other than the Director are recruited to pay-bands graded for seniority and approved by the Trustees within the context of the pay remits negotiated with DCMS/HM Treasury. The remuneration of senior managers, with the exception of the Director, is determined by the agreed pay remit.

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

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

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

The performance of the Director is assessed annually by the Trustees and a rate of bonus for the review year is determined. The reporting period for this performance review is 1 April to 31 March. In line with NML's pay year, any payments are effective from 1 April 2013.

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

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

The Director was awarded a non-consolidated bonus of £15,080. The Director made a donation to NML equivalent to the net bonus he received in 2013.

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NML applied the Government public sector pay policy of an average 1% pay award.

The average number of days lost (per employee) due to sickness during the year was 8.9 days, or 4.4 days excluding long term sick in 2013-14, (9.7 days, or 4.6 days excluding long term sick 2012-13).

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

There are six Directorships within NML, these are:

- Director and Accounting Officer;
- Executive Director of Development & Communications;
- Executive Director of Finance;
- Executive Director of Collections and Estates;
- Executive Director of Education and Visitors; and
- Director of Human Resources.

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

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

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

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

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

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

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

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; and
- Pay-band 7 and above - 3 months minimum.

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

Please refer to severance tables provided for this information.

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

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Single total figure of remuneration

	Salary Including Performance pay 2013-14 £'000	Salary Including Performance pay 2012-13 £'000	Pension Benefits ¹ To nearest £1,000 2013-14 £'000	Pension Benefits To nearest £1,000 2012-13 £'000	Total 2013-14 £'000	Total 2012-13 £'000
D Fleming Director	110-115 Plus non-consolidated bonus 15-20	105-110 plus non-consolidated bonus 15-20	5-10	5-10	115-120	115-120
S Granville Executive Director of Collections and Estates	70-75	70-75	5-10	5-10	75-80	75-80
A de Joia Executive Director of Development & Communications	70-75	70-75	5-10	5-10	75-80	75-80
Carol Rogers Executive Director of Education and Visitors	65-70	65-70	15-20	(10)-(15)	80-85	55-60
Maxine Carden Director of Human Resources	50-55	50-55	0-5	0-5	55-60	55-60
Ann Monk Executive Director of Finance	60-65	60-65	20-25	25-30	85-90	85-90

- ¹The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- There were no benefits in kind received by the Executive Team members.

Salary

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

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

The following information and table has been subject to audit:

	<u>2013-14</u>	<u>2012-13</u>
<i>Mid-point of Band of Highest Paid Director's Total Remuneration</i>	£127,500	£127,500
<i>Median Total Remuneration</i>	£18,294	£18,131
<i>Remuneration Ratio</i>	6.97	7.03

The mid-point of the band of remuneration of the highest-paid director in the National Museums Liverpool in the financial year 2013–14 was £127,500 (2012-13 £127,500). This was 6.97 (2012-13 7.03) times the median remuneration of the workforce, which was £18,294 (2012-13 £18,131).

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In 2013–14, nil employees received remuneration in excess of the highest-paid director. Remuneration ranged from £13,794 to £127,500 (2012-13, £13,227 to £127,500).

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

The only real change from the current to the previous financial year is that the Government Public Sector pay policy was implemented which resulted in an average pay award of 1% effective from 1 April 2013.

Pension Benefits

	Accrued pension at normal retirement age as at 31/03/14 and related lump sum £'000	Real increase in pension and related lump sum at normal retirement age £'000	CETV at 31/03/14 £'000	CETV ¹ at 31/03/13 £'000	Real increase in CETV £'000
D Fleming Director	40-45 Plus lump sum of 125-130	2.5-5 Plus lump sum of 0-2.5	961	935	8
S Granville Executive Director of Collections and Estates	25-30 Plus lump sum of 75-80	0-2.5 Plus lump sum of 0-2.5	458	425	4
A de Joia Executive Director of Development & Communications	20-25 Plus lump sum of 65-70	0-2.5 Plus lump sum of 0-2.5	393	362	5
Carol Rogers Executive Director of Education and Visitors	10-15 Plus lump sum of 5-10	0-2.5 Plus lump sum of 0-(2.5)	217	161	11
Maxine Carden Director of Human Resources	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	342	319	2
Ann Monk Executive Director of Finance	0-5	0-2.5	30	15	9

- 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.

Pension

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

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Employee contributions are set at the rate of 1.5%-6.25% of pensionable earnings (depending on salary) for classic and 3.5%-8.25% (depending on salary) for premium, classic plus and nuvos.

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum of three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. Nuvos benefits accrue at 2.3% of pensionable earnings each year, like premium, there is no automatic lump sum but members may commute some of their pension to provide this. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Employees received no benefits in kind during the year.

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The following table has been subject to audit.

1	Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band	
		2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
2	< £10,000	nil	nil	10	nil	10	nil
3	£10,000-£25,000	nil	nil	26	nil	26	nil
4	£25,000-£50,000	nil	nil	11	2	11	2
5	£50,000-£100,000	nil	nil	6	1	6	1
6	Total number of exit packages	nil	nil	53	3	53	3
7	Total resource cost / £000s	nil	nil	1,191	153	1,191	153

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

Dr David Fleming OBE
Director and Accounting Officer
Date: 1 July 2014

**National Museums & Galleries on Merseyside
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FUNDING AGREEMENT PERFORMANCE INDICATORS – 2014 OUTTURN

Performance Indicator	2012-13 Out-turn	2013-14 Out-turn
Core Targets		
KPI (1) Total number of visits	3,277,303	2,710,184
KPI (2) Charitable giving (fundraising) revenue	885,206	1,000,480
OPI (1) Number of unique website visits ¹	2,077,530	1,835,087
OPI (2) Number of visits by children under 16 ²	426,069	433,629
OPI (3) Number of overseas visits ²	524,368	433,629
OPI (4) Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	166,084	179,902
OPI (5) Number of instances of visitors under 18 participating in on-site organised activities	241,092	241,150
OPI (6) Percentage (%) of visitors who would recommend a visit	98%	99%
OPI (7) Admissions income (gross income)	52,213	–
OPI (8) Trading income (net income)	909,517	1,291,636
OPI (9) Number of UK loans	239	250

Explanatory Note:

KPI represents Key Performance Indicators
OPI represents Other Performance Indicators

¹From 2011-12 the number of website visits has been calculated using Google Analytics.

²The results for OPI (2) and OPI (3) are the same as each represent 16% of total visitors.

NML has stated both key and other indicators.

No targets were set with the DCMS for 2013-2014.

Dr David Fleming OBE
Director and Accounting Officer
Date: 1 July 2014

Professor Phil Redmond CBE
Chairman of Trustees
Date: 1 July 2014

National Museums & Galleries on Merseyside
Statement of Trustees' and Director's responsibilities
For the year ended 31 March 2014

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 on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the account on the going concern basis, unless it is inappropriate to presume that NML will continue in operation.

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

Dr David Fleming OBE
Director and Accounting Officer
Date: 1 July 2014

Professor Phil Redmond CBE
Chairman of Trustees
Date: 1 July 2014

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

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2014

Governance Framework

NML is governed by the Board of Trustees who are accountable for the overall direction and strategy of NML and have due regard for the guidance published by the Charities Commission and the Merseyside Museums and Galleries Order 1986. The Trustees monitor the risks facing NML as identified in papers submitted to the Board and Trustee Committees during the year. The Director, who is the Accounting Officer, is responsible for the day to day running of the organisation and ensuring that a sound system of Governance and Internal Control are in place. The Accounting Officer is responsible for ensuring that public money and assets are safeguarded and properly accounted for in accordance with Managing Public Money and, in doing so, aims to secure continuous improvement in the way in which NML's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Accountability to NML's sponsoring department DCMS is exercised through a framework document issued by DCMS which lays out the regulatory and accounting framework along with details of the delegations of responsibility and the accountabilities of NML. This document is in the process of being updated and finalised.

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

The Board of Trustees

During the year the Trustees have approved the Strategic Plan, the Annual Report and Accounts for the previous year, reviewed key organisational policies (including approval of revisions to HR policies and a revised policy on loans charging), the issues associated with the construction of the new Museum of Liverpool, and in particular have provided challenge and support to the Executive Team in planning and preparation for the impact of significant challenges due to the fact that public funding is reducing by a significant amount over the next few years.

The Board met five times during the year and received reports covering the following:

- management overview summary of key activities and highlights in line with strategic objectives;
- minutes of activity and reports from Audit, Finance, and Remuneration;
- items accessioned;
- loans agreed;
- performance metrics;
- health and safety; and
- updates to policies.

The Chairman of Trustees is consulted on major strategic issues, or where it is foreseeable that a decision or action could damage the reputation of NML.

In the absence of the Chair through illness, we appointed an Acting Chair who was consulted as appropriate. The business of the Board continued as usual.

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2014

In order to carry out its responsibilities the Board delegates to a number of committees;

The Finance Committee met five times during the year to review, the forward financial plan and specific risks to its achievement, the capital project budget, accounting policy, and the Annual Report and Accounts.

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

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

The Chairman of the Board is an ex-officio member of all Committees but is not expected to attend the Audit Committee. The Chairman may attend Audit Committee meetings if he judges it appropriate. The Committees consist of Board members, and in some cases Associate Trustees, to ensure that the appropriate skills are in place.

Board and Committee Attendance

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

Name	Board (5)	Audit (5)	Finance (5)	Remuneration (1)
<u>Trustees</u>				
P Redmond	60%		0%	0%
J Ashton	40%			
C Booth	100%	80%	80%	100%
L Carstensen	100%	60%		
R Crawford	100%		80%	
C Elphick	80%	80%	80%	100%
J Godwin	40%			
N Katona	80%			
N Kurland	100%			
A McCluskey	60%			
T McGuirk	0%			
P Price	100%		80%	
N Scales	0%			
D Shackleton	60%	60%		100%
N Thorp	80%	60%		
<u>Associate Trustees</u>				
D Appleton		100%		
G Hitchmough			60%	

The number of meetings held in the year is shown in brackets next to meeting name. Where Trustees are not members of the Committee, the respective column is left blank. Where Trustees have joined/left the Board or a Committee during the year,

National Museums & Galleries on Merseyside
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For the year ended 31 March 2014

their attendance has been adjusted to account for the total number of meetings that they were eligible to attend.

This attendance record is reflective of the commitment and enthusiasm that the Trustees show for their roles. The Chair will review attendance during the forthcoming year.

Control Environment

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

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

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

The main areas of concentration in the coming financial year will be to continue to build on the good progress made regarding Risk Management and the Internal Audit plan. This will be set against the challenge of implementing a substantial restructure throughout the organisation.

Compliance with the Corporate Governance Code

The Board has carried out a self-assessment regarding its compliance with the Corporate Governance Code and confirms that in so far as it is relevant for an NDPB, NML is continuing to move towards compliance with the intentions of the 'Corporate governance in central government departments: Code of good practice 2011'. The Board is well balanced in composition, and supports the Director in leading NML through strategic direction, monitoring activity, achievement of objectives and ensuring good governance is in place. The work of the Board is well supported by strong management at sub- committee level. Board of Trustee minutes are available on NML's website.

During the year the Board carried out a review of its own effectiveness. The review focused in detail on two main areas:

- Composition and process – covering the practical aspects of the Board and the quality of the information that it receives; and
- Behaviours and activity – focusing on how the Board is able to effectively discharge their duties.

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For the year ended 31 March 2014

Both areas received scores above average and the results of the review are to be reviewed by the Board and any key themes addressed in the coming year.

A review of the effectiveness of the Audit Committee was carried out during the year and outcomes were discussed between the Committee and the Executive Team.

Quality of information presented to the Board

While a standard reporting set has been agreed with the Chair and the Secretary to the Board, feedback is taken into account regarding on-going changes to requirements. Financial reporting is scrutinised by the Finance Committee prior to submission to the Board and this has been assisted by detailed workshops held with the Finance Committee during the year. Risk and Audit information is reviewed in detail by the Audit Committee before reporting to the Board. The reporting of regular performance information has been standardised and, where practical, requests for improvements are responded to.

Governance of Trading Subsidiary

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

Review of the Effectiveness of Governance

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

NML has suffered no protected personal data incidents during 2013-2014 and has made no reports to the Information Commissioner's Office.

Internal Audit

NML's internal audit function is outsourced to PricewaterhouseCoopers. The Audit Committee approved the internal audit plan in June 2013 for the period to March 2014. The Audit Committee has been informed of the overall progress of the Internal Audit programme of work. This, in turn, has enabled the appropriate level of prioritisation to be given to the completion of Internal Audit reports and the implementation of recommendations.

During the year internal audit reviews have been carried out in the following areas according to the internal audit plan: Business Continuity and Emergency Response, Strategic Planning and Staff performance management, Contract Management, Sustainability, Risk Management, Collections Management, Central Finance Health check (focussed on Receivables and cash), Restricted Income, Strategic Partnerships, Payroll/HR system Implementation, Board review of effectiveness. In addition a rolling programme of venue-based reviews is carried out which focuses on physical security processes and financial controls

The Head of Internal Audit's opinion for the year retains NML's place in the second highest category regarding assurance for the year which is reflective of the focus that management have continued to give to the internal audit programme and follow up of findings from previous years.

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2014

Head of Internal Audit's opinion

"Based on the work completed to date for 2013-14; we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and internal control.

Risk Management

The risk management process is designed to enable risks to be identified and then to put plans into place to either manage or mitigate them. The risk register is reviewed at each Audit Committee meeting. Periodically, members of the Executive Team will present to the Audit Committee in detail on the risks pertaining to their directorate. In addition risks are evaluated and added to the risk register when they arise and archived when appropriate.

Internal Audit's review of Risk Management across the organisation placed this as a low risk and the risk maturity level of the organisation as 'established'. This reflects the prioritisation that management have placed on the importance of the risk management process.

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

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

During the year the following key risks have been identified as strategic risks to the organisation and managed accordingly by review of the relevant controls in place and detailed reviews presented to and discussed with the Audit Committee:

- Inability to respond to significant changes in funding;
- Failure to maintain and protect our collections (deterioration, security, development);
- Failure to develop audiences/visitor growth and diversity;
- Deterioration of Estate (land, buildings and equipment);
- Inability to respond to a major incident (physical or IT related);
- Ineffective governance arrangements;
- Workforce fit for purpose – staff/volunteers;
- Damage to reputation of the organisation; and
- Inability to generate additional earned income.

Governance issues

During 2011-12 financial year NML opened the new Museum of Liverpool, which is the biggest national museum to be newly-built and opened in the past 100 years. This museum has continued to thrive and is now the most visited museum in the UK based outside of London, attracting over 1 million visitors per year during its first two

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2014

years of opening. As with any capital construction project of this size and nature there were a number of challenges throughout the project which have required continued management focus and a considerable amount of expert advice and support which has continued throughout the 2013-14 financial year. In April of 2013 a three week trial took place during which the liability of the Architect for the Museum of Liverpool was assessed regarding elements of the construction work that as yet have been unable to be completed. In August 2013 NML heard that it was successful in its case against the Architect and received damages of £2.4m plus £0.7m on account, towards costs with total costs to be assessed. The main contractor was also found partially liable and the finalisation of the main contractors account remains an area to be resolved.

Governance continues to improve but NML is not complacent regarding the challenges that we face. NML's deepest concern is with regard to the impact that constant reductions in public funding are having and the uncertainty regarding planning assumptions. This will have far reaching consequences for the organisation itself, the wider community and the local economy.

Dr David Fleming OBE
Director & Accounting Officer
Date: 1 July 2014

Professor Phil Redmond CBE
Chairman of Trustees
Date: 1 July 2014

**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 National Museums and Galleries on Merseyside for the year ended 31 March 2014 under the Merseyside Museums and Galleries Order 1986. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to National Museums and Galleries on Merseyside's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Museum and Galleries on Merseyside; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Legal and Administration, Director's Statement, Operating Review, Financial Review, Sustainability Report, Remuneration Report, Key Performance Indicators, Statement of Trustees' and Director's responsibilities and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of National Museums and Galleries on Merseyside's affairs as at 31 March 2014 and of its net incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Date 3 July 2014
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

**National Museums & Galleries on Merseyside
Consolidated Statement of Financial Activities
For the year ended 31 March 2014**

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2014 £000	2013 £000
<u>Incoming resources:</u>					
Grant-in-Aid - DCMS	2	20,912	-	20,912	22,061
Grant-in-Aid - Border Force	2	-	247	247	274
Incoming resources from generated funds:					
Voluntary income:					
Grants and donations	2a	243	1,278	1,521	1,920
Gifts	6a	-	432	432	733
Merchandising income of subsidiary company	9	3,482	-	3,482	3,648
Investment income	7b	47	33	80	66
Incoming resources from charitable activities	7a	<u>4,352</u>	<u>-</u>	<u>4,352</u>	<u>952</u>
Total incoming resources		<u>29,036</u>	<u>1,990</u>	<u>31,026</u>	<u>29,654</u>
<u>Resources expended:</u>					
Costs of generating funds:					
Fundraising costs in respect of voluntary income		356	-	356	378
Costs of subsidiary company merchandising	9	2,922	-	2,922	3,010
Charitable activities:					
Care of collections		5,537	857	6,394	6,238
Care of buildings		10,890	2,651	13,541	10,626
Visitor services		4,430	140	4,570	4,233
Exhibitions		1,359	44	1,403	1,370
Education and research		2,525	80	2,605	2,397
Other resources expended:					
Grants to third parties		1,650	-	1,650	150
Fees and charges activities of charity staff		320	-	320	407
Governance costs		<u>249</u>	<u>-</u>	<u>249</u>	<u>267</u>
Total resources expended	4	<u>30,238</u>	<u>3,772</u>	<u>34,010</u>	<u>29,076</u>
Net (outgoing)/incoming resources before transfers between funds	3	(1,202)	(1,782)	(2,984)	578
Transfers between funds		<u>78</u>	<u>(78)</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources after transfers between funds		(1,124)	(1,860)	(2,984)	578
Movement on assets:					
Unrealised net surplus/(loss) on revaluation of fixed assets and investments	6 & 24	<u>12,980</u>	<u>10,812</u>	<u>23,792</u>	<u>(1,512)</u>
Net movement in funds		<u>11,856</u>	<u>8,952</u>	<u>20,808</u>	<u>(934)</u>
Fund balances brought forward at 1 April		<u>100,827</u>	<u>104,917</u>	<u>205,744</u>	<u>206,678</u>
Fund balances carried forward at 31 March	14	<u>112,683</u>	<u>113,869</u>	<u>226,552</u>	<u>205,744</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 51 to 86 form part of these accounts.

National Museums & Galleries on Merseyside
Consolidated Balance Sheet
As at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	6	205,901	185,985
Heritage assets	6a	<u>11,999</u>	<u>11,514</u>
		217,900	197,499
Current assets:			
Stock		217	233
Investments	24	639	635
Debtors	10	2,316	2,427
Cash at bank and in hand		<u>11,875</u>	<u>8,551</u>
		15,047	11,846
Creditors: amounts falling due within one year	11	<u>(2,918)</u>	<u>(3,119)</u>
Net current assets		<u>12,129</u>	<u>8,727</u>
Total assets less current liabilities		<u>230,029</u>	<u>206,226</u>
Creditors: due after more than one year	11	(427)	(482)
Provisions	12	<u>(3,050)</u>	-
Total net assets		<u>226,552</u>	<u>205,744</u>
Represented by:			
Income funds			
Restricted funds	14	113,869	104,917
Unrestricted funds:			
Designated funds	14	108,295	96,247
General funds	14	<u>4,388</u>	<u>4,580</u>
Total funds		<u>226,552</u>	<u>205,744</u>

The notes on pages 51 to 86 form part of these accounts

Dr David Fleming OBE
 Director and Accounting Officer
 Date: 1 July 2014

Professor Phil Redmond CBE
 Chairman of Trustees
 Date: 1 July 2014

**National Museums & Galleries on Merseyside
Museum Balance Sheet
As at 31 March 2014**

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	6	205,728	185,798
Heritage assets	6a	11,999	11,514
Investment in NML Trading Limited	9	<u>380</u>	<u>380</u>
		218,107	197,692
Current assets:			
Stock		17	16
Investments	24	639	635
Debtors	10	2,830	3,027
Cash at bank and in hand		<u>11,126</u>	<u>7,684</u>
		14,612	11,362
Creditors: amounts falling due within one year	11	<u>(2,683)</u>	<u>(2,821)</u>
Net current assets		<u>11,929</u>	<u>8,541</u>
Total assets less current liabilities		<u>230,036</u>	<u>206,233</u>
Creditors: amounts due after more than one year	11	(427)	(482)
Provisions	12	<u>(3,050)</u>	<u>-</u>
Total net assets		<u>226,559</u>	<u>205,751</u>
Represented by:			
Income funds			
Restricted funds	14	113,869	104,917
Unrestricted funds:			
Designated funds	14	108,295	96,247
General funds		<u>4,395</u>	<u>4,587</u>
Total funds		<u>226,559</u>	<u>205,751</u>

The notes on pages 51 to 86 form part of these accounts

Dr David Fleming OBE
Director and Accounting Officer
Date: 1 July 2014

Professor Phil Redmond CBE
Chairman of Trustees
Date: 1 July 2014

National Museums & Galleries on Merseyside
Consolidated Cash Flow Statement
For the year ended 31 March 2014

	Notes	2014	2013
		£000	£000
Net cash inflow from operating activities	19	4,838	5,242
Returns on investments and servicing of finance:			
Interest and dividends received		80	66
Decrease in investments		9	(23)
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<u>(1,603)</u>	<u>(1,708)</u>
Increase in cash in the year	19	<u>3,324</u>	<u>3,577</u>

The notes on pages 51 to 86 form part of these accounts

1. Accounting policies

a) *Basis of accounting*

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

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

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

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

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

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

b) *Incoming resources*

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

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

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

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

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

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 research. Expenditure has been allocated on a direct basis where applicable and by apportionment for administration and other costs. The apportionment method is based upon a pro-rata relationship of indirect costs to total direct costs.

Liabilities are recognised on an accruals basis.

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

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

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

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

d) ***Heritage assets***

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

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

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

The threshold for capitalisation of gifts is £500.

e) **Fund accounting**

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

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

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

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

f) **Tangible fixed assets**

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

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

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

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

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

The permanent galleries within the new Museum of Liverpool are subject to modified historical cost accounting and material movements are assessed using appropriate indices.

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

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

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

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

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

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

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

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

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

j) **Taxation**
NML is an exempt charity by virtue of schedule 3 to the Charities Act 2011 and therefore is not registered with the Charity Commission.

NMLs primary purpose activity is exempt from Corporation Tax under the Income Tax Act 2007. The profits of the trading company are passed annually to the charity in such a way that any tax liability is mitigated in line with HMRC guidance.

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

k) Provisions

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

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

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

Other provisions are made when constructive obligations as a result of past events, existing at 31 March, are identified.

l) Investments

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

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

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

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

m) Long-term Creditors

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

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2014

2. Grant-in-Aid	£20,912,000 of DCMS Grant-in-Aid has been received during the year (2013: £22,061,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:	2014	2013
		£000	£000
	General fund	19,431	20,646
	Government grant capital allocation	<u>1,481</u>	<u>1,415</u>
		<u>20,912</u>	<u>22,061</u>
	NML also receives Grant-in-Aid from the Border Force. The amount received in 2013-2014 was £247,000 (2012-13 £274,000). No Capital GiA was received from Border Force in 2013-2014 (2012-13 £nil). A summary can be seen at note 16.		
2a. Grants & donations	£1,521,000 (£1,920,000 2012-2013) was recognised during the year; of which only £243,000 (£230,000 2012-2013) was unrestricted. The restricted income included the following contributions towards NML's capital programme:-	2014	2013
		£000	£000
	Heritage Lottery Fund	59	751
	European Regional Development Fund	202	216
	Other revenue and capital grants and donations	<u>1,017</u>	<u>723</u>
		<u>1,278</u>	<u>1,690</u>
3. Net (outgoing)/incoming resources		2014	2013
		£000	£000
	Net (outgoing)/incoming resources before transfers is stated after charging for:		
	Travel and subsistence (including Trustees)	145	134
	Hospitality	47	35
	Operating lease payments (Ener-G CHP scheme)	503	489
	Operating lease payments (Other)	77	72
	Consolidated audit fee	47	48
	Trading company audit fee	9	8
	Depreciation	5,510	5,285

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2014

4. Total resources expended	Staff Costs £000	Other Costs £000	Depreciation £000	2014 Total £000	2013 Total £000
Costs of generating funds:					
Fundraising costs	324	32	-	356	378
Cost of subsidiary company merchandising	1,443	1,430	49	2,922	3,010
Charitable activities:					
Care of collections	4,283	1,081	1,030	6,394	6,238
Care of buildings	686	8,486	4,369	13,541	10,626
Visitor services	3,584	953	33	4,570	4,233
Exhibitions	794	599	10	1,403	1,370
Education and research	1,871	715	19	2,605	2,397
Grants to third parties	-	1,650	-	1,650	150
Fees & charges activities of charity staff	188	132	-	320	407
Governance costs	<u>96</u>	<u>153</u>	-	<u>249</u>	<u>267</u>
Total resources expended	<u>13,269</u>	<u>15,231</u>	<u>5,510</u>	<u>34,010</u>	<u>29,076</u>

Governance costs includes:

External audit fees	-	56	-	56	56
Corporate governance	54	-	-	54	54
Internal audit	-	54	-	54	75
Legal advice	-	39	-	39	35
Finance	<u>42</u>	<u>4</u>	-	<u>46</u>	<u>47</u>
	<u>96</u>	<u>153</u>	-	<u>249</u>	<u>267</u>

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

Support costs	Care of Collections	Care of Buildings	Visitor services	Exhibitions	Education & research	2014 Total	2013 Total
Management	99	30	84	19	45	277	327
Finance (inc Audit)	195	62	165	37	88	547	544
Information systems	230	302	198	57	111	898	869
Office services	15	29	13	4	8	69	71
Human resources	<u>148</u>	<u>107</u>	<u>126</u>	<u>31</u>	<u>69</u>	<u>481</u>	<u>636</u>
	<u>687</u>	<u>530</u>	<u>586</u>	<u>148</u>	<u>321</u>	<u>2,272</u>	<u>2,447</u>

The support costs are contained within the respective charitable activities headings above.
The Museum depreciation is split between Unrestricted £2.435m and Restricted £3.026m.
The unrestricted element counts against NML's non-cash RDEL allocation.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2014

5. Staff costs

During the year staff costs directly associated with the delivery of NML's major capital project were capitalised; Lady Lever Art Gallery. The amount for the year was £25,430. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML	NML	Total	Total
	£000	Trading Ltd	2014	2013
	£000	£000	£000	£000
Wages and salaries	9,622	1,362	10,984	11,559
Social security costs	623	73	696	745
Pension costs	<u>1,581</u>	<u>8</u>	<u>1,589</u>	<u>1,598</u>
Staff Costs within operating expenditure	11,826	1,443	13,269	13,902
Capitalised staff costs	26	-	26	40
Agency staff costs	<u>9</u>	<u>-</u>	<u>9</u>	<u>11</u>
Total staff costs	<u>11,861</u>	<u>1,443</u>	<u>13,304</u>	<u>13,953</u>

The capitalised staff costs related to capital projects include; Basic Pay £20,024
Employers NIC £1,602 and Employers Superannuation costs £3,804.

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.gov.uk/pensions).

For 2013-14, employers' contributions of £1,584,858 were payable to the PCSPS (2012-13: £1,597,291) 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 2012-13 were between 16.7% and 24.3%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. In 2013-14 the salary bands were revised and the rates remained as above. From 2014-15, 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 2013-14 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 £23,016 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 £1,665, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

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

The subsidiary trading company previously operated a defined contribution scheme. The current pension arrangement means that the pensionable employees of the subsidiary company are in direct contract with the pension provider. NMLT makes a contribution of 5% of basic salary to the pension plans of those staff who are members of the Group Plan and the liability of the subsidiary is limited to this contribution. The employers' contribution amounted to £8,324 (2012-2013; £7,437).

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2014

There was one member of staff in the salary band £50,001 - £55,000 (2012-13 one member); one member in the salary band £60,001 - £65,000 (2012-13 one member); one member in the salary band £65,001 - £70,000 (2012-13 one member); two members in the salary band £70,001 - £75,000 (2012-13 two members); and one member in the salary band £110,001 - £115,000 (2012-13 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 2014		Employee Configuration as at 31 March 2013	
Director's Office	5	Director's Office	6
Museum Secretary's Office	1	Museum Secretary's Office	1
Development and Communications	47	Development and Communications	50
Collections Management	78	Collections Management	86
Education, Communities & Visitors	204	Education, Communities & Visitors	222
Museum of Liverpool	44	Museum of Liverpool	44
Human Resources	13	Human Resources	13
Finance, IS & Procurement	34	Finance, IS & Procurement	34
NML Trading Ltd	<u>59</u>	NML Trading Ltd	<u>65</u>
	<u>485</u>		<u>521</u>

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

Employee Configuration as at 31 March 2014		Employee Configuration as at 31 March 2013	
Senior Management Team	19	Senior Management Team	18
Staff on permanent contract	441	Staff on permanent contract	446
Staff on fixed term contracts	<u>25</u>	Staff on fixed term contracts	<u>57</u>
Total	<u>485</u>	Total	<u>521</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 1.

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 £673 (2012-2013: £1,191). Two Trustees were reimbursed in 2013-2014 (four in 2012-2013).

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6. Tangible fixed assets	Land	Buildings	Furniture & Fittings	Permn't Galleries	Motor Vehicles	Sub-total	Heritage Assets (note 6a)	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost/valuation								
Valuation base at 01-Apr-13	11,685	157,810	22,457	25,028	96	217,076	11,514	228,590
Additions in year	-	526	128	995	-	1,649	485	2,134
Disposals	-	-	(3)	-	-	(3)	-	(3)
Revaluation	<u>900</u>	<u>22,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,779</u>	<u>-</u>	<u>23,779</u>
Closing valuation	<u>12,585</u>	<u>181,215</u>	<u>22,582</u>	<u>26,023</u>	<u>96</u>	<u>242,501</u>	<u>11,999</u>	<u>254,500</u>
Depreciation								
Balance as at 01-Apr-13	-	3,156	21,949	5,891	95	31,091	-	31,091
Base charge for year	-	3,305	222	1,982	1	5,510	-	5,510
Disposals	-	-	(1)	-	-	(1)	-	(1)
Revaluation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31-Mar-14	-	<u>6,461</u>	<u>22,170</u>	<u>7,873</u>	<u>96</u>	<u>36,600</u>	-	<u>36,600</u>
Net book value:								
At 31 March 2014	<u>12,585</u>	<u>174,754</u>	<u>412</u>	<u>18,150</u>	<u>-</u>	<u>205,901</u>	<u>11,999</u>	<u>217,900</u>
At 31 March 2013	<u>11,685</u>	<u>154,654</u>	<u>508</u>	<u>19,137</u>	<u>1</u>	<u>185,985</u>	<u>11,514</u>	<u>197,499</u>

This note reflects the consolidated position of NML and its subsidiary trading company NMLT. All of the tangible fixed assets of the trading company are shown within furniture and fittings. The net book value as at 31 March 2014 was made up of:

	2014	2013
	£000	£000
NML tangible fixed assets	205,728	185,798
NML heritage assets	11,999	11,514
NMLT tangible fixed assets	<u>173</u>	<u>187</u>
	<u>217,900</u>	<u>197,499</u>

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

Net Book Value of Land and Buildings.

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

NML instructed Deloitte LLP, chartered surveyors, to carry out a full valuation of its land and buildings as at 31 March 2012 and the results of the valuation are reflected in the financial statements. The table reflects an increase this year in net book value. This is the result of the application of a suitable index to the buildings BIS PUBSEC TPI of Public Sector Building Non-Housing, and a desktop valuation of land by Deloitte LLP.

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

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

Property	Basis	Land Value 31-Mar-13 £	NBV Bldgs 31-Mar-13 £	Land Value 31-Mar-14 £	NBV Bldgs 31-Mar-14 £
Freehold Properties					
Lady Lever Art Gallery	DRC	300,000	6,140,515	300,000	6,395,504
County Sessions House	DRC	410,000	1,473,065	410,000	1,506,494
The Walker	DRC	1,621,000	15,592,123	1,771,000	17,235,851
World Museum	DRC	2,500,000	47,510,021	3,250,000	63,372,908
Sudley House	DRC	250,000	1,455,300	250,000	1,488,326
Juniper Street	EUV	630,000	2,881,882	630,000	2,947,283
Dale Street	EUV	1,250,000	1,342,272	1,250,000	1,372,733
Maritime Park (Yellow Zone):-					
Great Western Railway (GWR) Building	EUV	120,000	2,740,815	1,770,000	3,203,387
GWR Amenity Land (T7A)	DRC	-			
Dockmaster's House	EUV	30,000			
Canning Docks	DRC	1,300,000			
Canning Docks / Pilotage Amenity Land	EUV / MV	-			
Museum of Lpool Life retained / Pilotage building	EUV	320,000			
Maritime Park (Red Zone):-					
Museum of Liverpool	DRC	1,650,000	45,288,936	1,650,000	46,316,718
Prospective canal basin (T1A)	EUV / MV	-	-	-	-
Land abutting canal basin (T2)	EUV / MV	-	-	-	-
Western Steps (T7B)	EUV / MV	-	-	-	-
		10,381,000	124,424,929	11,281,000	143,839,204
Long Leasehold Properties					
Oratory	DRC	60,000	77,616	60,000	79,377
Maritime 'D' Block	DRC	450,000	17,204,907	450,000	17,595,353
Maritime Piermaster's House	DRC	70,000	479,592	145,000	490,476
Piermaster's and Cooperage	DRC	75,000			
The Walker	DRC	29,000	132,917	29,000	135,934
National Conservation Centre	DRC	410,000	11,254,320	410,000	11,509,724
Dale Street (11 North St)	EUV	-	54,816	-	56,060
Dock Traffic Office	EUV	210,000	1,024,997	210,000	1,048,258
		1,304,000	30,229,165	1,304,000	30,915,182
Totals		11,685,000	154,654,094	12,585,000	174,754,386

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

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

	£000
Land	12,585
Freehold buildings	143,839
Long leasehold buildings	<u>30,915</u>
	<u>187,339</u>

Disposals in year

There was £3,252 (historic cost) of furniture and fittings disposals for the subsidiary trading company.

6a. Heritage Assets

NML's collections are among the most diverse of the national collections, encompassing fine and decorative art, ethnology, antiquities, physical sciences, urban history, maritime history, international slavery, regional archaeology, maritime archives, botany, geology, zoology and the Border Force National Museum collections. Overall collection size is in the region of over four million.

The collections are held at NML sites in and around Liverpool (Museum of Liverpool, Walker Art Gallery; Merseyside Maritime Museum; World Museum; Lady Lever Art Gallery; International Slavery Museum; Border Force National Museum; Sudley House; the Oratory; North Street Warehouse, Midland Railway Building and Juniper Street Stores 1 and 2). Long term and short term loans from NML's collections are also on display at other museums and galleries and sites in the UK and abroad.

Valuation

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

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

Since 2001, all new acquisitions have been valued and this information has been recorded in NML's collection management software. Only those acquisitions with an attributed value of £500 or more were capitalised.

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New acquisitions are valued by NML's curatorial staff, based on their specialist knowledge of the area in which they are collecting and of recent auction and sale prices of similar items.

The valuation of natural history specimens is problematic, as in the main, they do not have an intrinsic financial value. NML has placed a figure of £5 per specimen.

On-Balance-Sheet Heritage Assets

	Acquisitions at historic cost	Donated assets at valuation	Total
	£000	£000	£000
At 01.04.2013	2,870	8,644	11,514
Additions	56	429	485
At 31.3.2014	2,926	9,073	11,999

Five year financial summary of heritage asset transactions

	2009-10	2010-11	2011-12	2012-13	2013-14
	£000	£000	£000	£000	£000
Additions	621	448	305	740	485
Purchases	158	126	47	7	56
Donations	463	322	258	733	429

Collections Management

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

Acquisitions Policy

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

Preservation

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

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

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

Documentation

Information about the collections is kept according to *Spectrum, the UK Documentation Standard*. NML is Accredited under the Accreditation Scheme, administered by Arts Council England and maintains entry and exit records, acquisition and catalogue records, location and inward and outward loans records, in line with the requirements of the scheme.

Disposal

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

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

Furthermore, provided that they do not affect any trust or condition relating to the proposed items Section 47 (1) and 47 (2) of the Human Tissue Act 2004 provides NML with the additional power:

- to de-accession human remains '*which they reasonably believe to be remains of a person who died less than one thousand years...if it appears to be appropriate to do so for any reason.*'
- to transfer any human remains that are, '*mixed or bound up with something other than human remains, and that it is undesirable, or impracticable, to separate them...to transfer the thing with which the human remains are mixed or bound up.*'

Access

NML provides access to the collections through permanent galleries, special temporary and touring exhibitions, interactive centres, education and outreach programmes, provision for facilities for external researchers to examine collections, publications, loans to other museums and galleries in the UK and abroad, through partnerships with other cultural organisations and through collections on-line on NML's website.

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The additions to the collections are made by purchase and by gift. In 2013-14 the major additions were:

	£
Gifts:	
<i>The Masseuse</i> , by Edgar Degas, bronze sculpture – in lieu of inheritance tax.	£245,000
The Dinner Party, by Sam Walsh – via the Cultural Gifts Scheme	£10,000
Collection of soil mites (<i>Acari</i>), donated by Dr. M. Luxton	£13,300
Wedding dress by Thelma Madine and Ryan Edwards	£10,000
5,023 pinned Palaearctic Moths and associated slides. Donated by Dr. Mike Hull.	£25,115
Research collection of British and foreign Psyllids. Donated by Ian Hodkinson	£10,300

Purchases:

3 works of art by Wolfgang Tillmans: <i>Freischwimmer 151</i> , <i>Cameron</i> and <i>Wilhelm Leibl Painting</i> funded by the Art Fund.	£55,000

The total value of heritage gifts received during the year was £428,905 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 recognised 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.

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7. Incoming resources:

7a. Incoming resources from charitable activities	2014	2013
	£000	£000
Car parking	100	59
Exhibitions	346	186
Proceeds of settlement	3,119	-
Fees & charges activities	374	309
Photography	46	43
Projects income	<u>367</u>	<u>355</u>
	<u>4,352</u>	<u>952</u>

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

7b. Investment income

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

	2014	2013
	£000	£000
Interest receivable	58	43
Tomlinson dividend receivable	<u>22</u>	<u>23</u>
	<u>80</u>	<u>66</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, 12, 19 and 24). Trade receivables are recognised at fair value less a provision for impairment (bad debt). The provision is made when the Museum is of the view that the debt may not be collectable in full, or in part, in accordance with the terms.

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

Liquidity Risks

In 2013-14, £20.9m (67%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue Grant-in-Aid of £247k was received from Border Force. The remaining operating expenditure was therefore financed from self-generated income which tends to be volatile in nature. NML is therefore exposed to some liquidity risk due to uncertainty of the total reserves. However, this risk is mitigated by the regular review of NML's reserves.

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

Financial assets by category

	Note	2014	2013
		£000	£000
Trade debtors	10	455	619
Other debtors	10	1,420	1,430
Cash at bank and in hand	per balance sheet	11,875	8,551

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs: £419,537 (2012-13, £347,002)

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

	Less Than 30 days	30-60 days	60-90 days	More than 90
	£000	£000	£000	£000
As at March 2014	267	108	38	42
As at March 2013	82	467	9	61

The Museum's principal exposure to risk is primarily attributable to trade debtors. However this risk is minimised because most major customers are longstanding organisations with a history of working with the Museum. A bad debt provision of £60,700 (£60,000 2012-2013) has been recognised on the balance sheet. The majority of other debtors represents capital grants receivable and is therefore considered to be low risk.

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Financial liabilities by category

	Note	2014	2013
		£000	£000
Trade creditors	11	1,659	1,222
Other creditors	11	637	1,254
Provisions	12	3,050	-
Repayable grants	11	19	59

The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs: £286,472 (2012-13, £301,323). 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 2013-2014 was no more than 0.6%.

Foreign Exchange Risks

NML does not engage in market dealings in respect of foreign currencies and the Trustees are therefore not exposed to any foreign exchange risks. However NML does have a Euro bank account with a small deposit balance. There was a minor cumulative "gain" at year end of £5,093.

Investment Risk

NML has £0.639m 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 2.1% of total incoming resources.

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

Repayable Grants

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

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9. Trading subsidiary

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

The Directors of the company during the year were:

- Dr David Fleming OBE;
- Mr Tony McGuirk (resigned 1 January 2014);
- Prof. Phil Redmond CBE;
- Mrs Carmel Booth;
- Mr Philip Price;
- Prof. John Ashton CBE;
- Mrs Nisha Katona;
- Mr Andrew McCluskey;
- Mrs A Monk; and
- Ms 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 2014 and the Company's Balance Sheet are set out below;

Profit and Loss	2014	2013
	£000	£000
Sales	3,548	3,728
Cost of sales	<u>(1,142)</u>	<u>(1,271)</u>
Gross profit	2,406	2,457
Administrative expenses	<u>(2,016)</u>	<u>(1,977)</u>
Operating profit	390	480
Interest receivable and similar income	3	2
Profit gift-aided to NML	<u>(393)</u>	<u>(483)</u>
Loss on ordinary activities before taxation	-	-
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>
Loss for the year	-	-

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

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Balance Sheet	2014	2013
	£000	£000
Fixed assets	173	187
Current assets	1,060	1,206
Current liabilities	<u>(860)</u>	<u>(1,020)</u>
Net current assets	<u>200</u>	<u>186</u>
Net assets	<u>373</u>	<u>373</u>
Called up share capital	380	380
Profit and loss reserve	<u>(7)</u>	<u>(7)</u>
	<u>373</u>	<u>373</u>

The authorised share capital of the company is £500,000 in £1 shares of which 380,000 shares have been allotted, called up and fully paid.

The reconciliation to the Consolidated Statement of Financial Activities is as follows: -

	2014	2013
	£000	£000
NMLT sales		
Non group sales as shown in the Statement of Financial Activities	3,482	3,648
Intergroup sales	<u>69</u>	<u>83</u>
Equals total NMLT Income	<u><u>3,551</u></u>	<u><u>3,731</u></u>

NMLT costs		
Non group costs as shown in the Statement of Financial Activities	2,922	3,010
Intergroup costs	<u>236</u>	<u>238</u>
	<u><u>3,158</u></u>	<u><u>3,248</u></u>

	2014	2013
	£000	£000
Amount owed by NML to NMLT	<u>11</u>	<u>29</u>
Amount owed by NMLT to NML	<u><u>614</u></u>	<u><u>693</u></u>

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10. Debtors	2014	2014	2013	2013
	Museum £000	Group £000	Museum £000	Group £000
Amounts due from subsidiary	614	-	693	-
Trade debtors	370	455	540	619
Other debtors	1,405	1,420	1,416	1,430
Prepayments	21	21	31	31
Taxation (VAT) recoverable	420	420	347	347
	<u>2,830</u>	<u>2,316</u>	<u>3,027</u>	<u>2,427</u>

The Debtors balance above includes £773,219 by HLF (£667,587 2012-2013), £353,568 by the European Regional Development Fund (£268,266 2012-2013), and £419,537 owed by HM Revenue & Customs (£347,002 2012-2013). The total for the year is £1,546,324 (£1,282,855 2012-2013).

There were no further Whole of Government Accounts (WGA) related balances outstanding as at 31 March 2014.

11. Creditors	2014	2014	2013	2013
	Museum £000	Group £000	Museum £000	Group £000
Amounts falling due within one year:				
Amounts due to subsidiary	11	-	29	-
Trade creditors	1,596	1,659	1,157	1,222
Other creditors and accruals	575	656	1,094	1,254
Deferred income	316	316	341	341
Taxation and social security	185	287	200	302
	<u>2,683</u>	<u>2,918</u>	<u>2,821</u>	<u>3,119</u>
Amounts falling due after one year:				
Accrual for CHP	427	427	482	482

HMRC were owed £286,472 (£301,323 2012-2013).

There were no further WGA related balances outstanding.

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12. Provisions	2014	2014	2013	2013
	Museum £000	Group £000	Museum £000	Group £000
Balance brought forward	-	-	1,204	1,204
Provision in year	3,050	3,050	-	-
Payments in year	-	-	(1,127)	(1,127)
Releases in year	-	-	(77)	(77)
Balance carried forward	<u>3,050</u>	<u>3,050</u>	<u>-</u>	<u>-</u>

The original provision represented the voluntary severance constructive obligation that existed at 31 March 2012. Since then the majority of payments have been made and a small number transferred to accruals at 31 March 2014. The in-year provisions represent a new constructive obligation for exits and a provision for a potential legal case liability.

There were nil staff members who took early retirement in 2013-2014, (nil 2012-2013).

13. Financial commitments At 31 March 2014 NML had annual commitments under non-cancellable leases as follows:

	2014	2014	2013	2013
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth year	54	18	54	10
More than five years	-	516	-	503
	<u>54</u>	<u>534</u>	<u>54</u>	<u>513</u>

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

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

Commitments

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

	Within 1 year (£000)	2 nd to 5 th year (£000)	6 th to 10 th year (£000)	11 th to 13 th year (£000)
Payment commitments	516	2,194	3,066	2,030

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

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

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

National Museums & Galleries on Merseyside
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14. Statement of funds	At 1 Apr-13	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-14
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
Designated funds						
Collection purchase fund	809	-	-	-	-	809
Border Force admissions (Free)	103	-	-	-	10	113
Academic publications (Free)	95	45	(33)	-	-	107
Miscellaneous (Free)	70	-	-	-	-	70
TFA - Capital reserve *	53,521	-	(942)	8,755	-	61,334
TFA - Government grant ITF**	434	-	(9)	151	-	576
TFA - Government grant	32,141	1,481	(1,058)	2,452	-	35,016
TFA - General capital	6,197	-	(359)	740	-	6,578
TFA - NMGM ITF	<u>2,877</u>	<u>-</u>	<u>(67)</u>	<u>882</u>	<u>-</u>	<u>3,692</u>
Total designated funds	96,247	1,526	(2,468)	12,980	10	108,295
General funds (Free)	<u>4,580</u>	<u>27,510</u>	<u>(27,770)</u>	<u>-</u>	<u>68</u>	<u>4,388</u>
Total unrestricted funds	<u>100,827</u>	<u>29,036</u>	<u>(30,238)</u>	<u>12,980</u>	<u>78</u>	<u>112,683</u>

* Tangible Fixed Assets ** Into the Future

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 47.

The significant transfer between funds during the year was £58,463 from the Lottery Capital Fund to the General Fund to cover capital spend on the new Museum of Liverpool in 2012-13, temporarily funded from reserves.

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.

Border Force Admissions fund

for the running costs and special projects associated with the Border Force 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 earned income.

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Tangible fixed asset funds (TFA): Unrestricted

Within this group are:

TFA - Capital reserve

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

TFA - Government grant

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

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

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

TFA - General capital

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

TFA - NMGM ITF

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

Unrestricted general funds:

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

	At 1 Apr-13 Re-analysed ¹ £000	Income £000	Expend- iture £000	Revalua- tions £000	Transfers £000	At 31 Mar-14 £000
Restricted funds						
Collection purchase fund	10,837	522	-	-	(2)	11,357
Development fund revenue	2,162	1,182	(741)	-	(81)	2,522
Tomlinson fund	168	22	(5)	-	-	185
TFA - Development fund	18,670	3	(579)	1,658	81	19,833
TFA - Tomlinson	1,191	-	(104)	40	-	1,127
TFA - NMGM ITF - Lottery ¹	19,281	-	(588)	6,125	-	24,818
TFA - Lottery ¹	10,740	59	(700)	3	(59)	10,043
TFA - ERDF ITF	3,131	-	(67)	1,023	-	4,087
TFA - ERDF	7,365	202	(322)	202	(17)	7,430
TFA - Development fund ITF	1,492	-	(31)	448	-	1,909
TFA - NWDA	<u>29,880</u>	<u>-</u>	<u>(635)</u>	<u>1,313</u>	<u>-</u>	<u>30,558</u>
Total restricted funds	<u>104,917</u>	<u>1,990</u>	<u>(3,772)</u>	<u>10,812</u>	<u>(78)</u>	<u>113,869</u>

¹The opening balances for TFA – Lottery and TFA - ERDF ITF have been amended by £751K due to an incorrect classification in the prior year. The total opening balance for restricted funds is unchanged.

Restricted funds:

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

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.

Tangible fixed asset funds: Restricted

Within this group are:

TFA - NMGM ITF lottery

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

TFA - NMGM ITF ERDF

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

TFA - ERDF

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

TFA - Development fund / Development fund ITF

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

TFA - NWDA

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

TFA - Lottery

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

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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 2014 are represented by:	Unrestricted Funds £000	Restricted Funds £000	Total £000
	Tangible fixed assets	107,555	110,345	217,900
	Investments	-	639	639
	Net assets (excl fixed assets and cash)	5,128	2,885	8,013
		<u>112,683</u>	<u>113,869</u>	<u>226,552</u>
	Unrealised gains included above:			
	On tangible fixed assets and investments	<u>12,184</u>	<u>10,096</u>	<u>22,280</u>

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16. Border Force National Museum

The Trustees of NML act as custodians and Trustees of the collections that constitute the National Collections of the Board of Border Force.

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 Border Force annual Grant-in-Aid payments which allows the National Collection to be displayed and interpreted alongside NML's other national collections. Payments by Border Force in respect of Grant-in-Aid are made from the Home Office Border Force 2013-14 account, 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 Border Agency (UKBA) took on responsibility for the financial responsibilities and ownership of the existing collections within the museum. Subsequently this has passed on again to the Border Force with effect from September 2012.

The formal name of the museum is "Border Force National Museum" and the visitor name is "Seized! The Border and Customs Uncovered".

Capital grants

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

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

	£000
Application of funds	
Total funds received as at April 2013	1,469
Funds received in year	-
Virement from Revenue Grant	-
Total funds received as at 31 March 2014	<u>1,469</u>
Funds applied as at 1 April 2013	(1,469)
Funds applied in year	-
Funds applied as at 31 March 2014	<u>(1,469)</u>
Unapplied capital funding at 31 March 2014	<u>-</u>

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Running Cost Grant-in-Aid **£000**

The funding position for 2013-14 is as follows:

Application of funds

Unapplied funds as at 1 April 2013	47
2013-14 Grant-in-Aid	247
	<hr/>
Total Available Grant-in-Aid funds	<u>294</u>
Funds applied to the running of the Museum	<u>264</u>
Unapplied funds as at 31 March 2014	<u>30</u>

17. Gower St Estates Ltd.

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

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

The company is managed by a Board of Directors all of whom are appointed by the members. NML's nominated director is Mr Ian Murphy from 11/02/2013. Directors of the company are not remunerated.

There are no employees of the company, the practical management of the estate being delegated to CB Richard Ellis (commercial real estate advisors). This arrangement transferred to Savills UK Limited wef June 2013.

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 £104,873.

18. Capital Commitments

NML has one major capital project which is for the refurbishment of the south end of the Lady Lever Art Gallery. This project is currently in its development stage following round one approval and the securing of development funding from the Heritage Lottery Fund. The total budgeted cost of the project is £2.8m. If the project is successful in securing Heritage Lottery Funding, and all match funding for round 2, the project is expected to be completed by March 2016.

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19. Cash flow information

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

	2014	2013
	£000	£000
Net (outgoing) / incoming resources	(2,984)	578
Depreciation	5,509	5,261
Interest received	(80)	(66)
Gifts	(432)	(733)
Decrease in stocks	16	2
Decrease in debtors	111	1,430
Decrease in creditors	(352)	(26)
Increase/(decrease) in provisions	<u>3,050</u>	<u>(1,204)</u>
Net cash inflow from operating activities	<u>4,838</u>	<u>5,242</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period		
Movement in net funds in the period	3,324	3,577
Net funds at 1 April	<u>8,551</u>	<u>4,974</u>
Net funds at 31 March	<u>11,875</u>	<u>8,551</u>

Analysis of net funds

	01-Apr 2013 £000	Cash Flow £000	31-Mar 2014 £000
Cash	<u>8,551</u>	<u>3,324</u>	<u>11,875</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 Department of Energy and Climate Change (DECC), Department of Health, Heritage Lottery Fund, and the Border Force.

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

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

(a) Board members:

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
National Maritime Museum	Sir Robert Crawford CBE – Trustee of the National Maritime Museum	Digital image of Wreck Buoy by Turner procured from NMM Enterprises Ltd		1		
Environment Agency	Dr Clive Elphick – Board member	Subsistence fee Desk Based Assessment Hesketh East Project Lunt Meadows Archaeology Recovery Programme Stage 2 & 3 payments	2 52	1		23
BBC	Joe Godwin – Director of BBC's Children's services	Digital images		1		
The Guardian	Nisha Katona – Expert Advisor on Diversity	Web Listing		1	1	
Merseytravel	Neil Scales OBE Director	Season tickets		30		
LJMU	Deborah Shackleton Governor and Chair of Audit	Evaluation/Research for House of Memories model		5		

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(b) Staff:

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
European Museum Forum	David Fleming Treasurer	Employment costs for administrator for Jul 12 and Aug 12	1			
		Employment costs for administrator for April and May 13	1			
		Employment costs for administrator from June 13 to 15 Sep 13	2			
		Employment costs for administrator from Jan 13 to 31 Mar 13	2			
International Council of Museums	David Fleming Chair – Finance and Resources Committee	Membership Fee		1		
ICOM – National Committee in Georgia	David Fleming	Reimbursement of flight expenses to Tbilisi to attend workshop	1			
ICOM - Russia	David Fleming	Reimbursement of all costs for David Fleming to make a presentation at the Russian International Museum Festival 2013	1			
Museums Association	David Fleming Board Member / Public Attitudes Research Advisory Group	Subscriptions / Membership fees/ seminars & conferences		4		2
Hope St Hotel	Amy de Joia Wife of owner	Accommodation / breakfast		2		

21. Contingent Assets and Liabilities

There are no contingent assets or liabilities.

22. Post Balance Sheet Events

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	Capital	Total 2014	Total 2013
	£000	£000	£000	£000
Incoming Resources:				
Investment income	22	-	22	23
Resources expended:				
Governance costs	-	(1)	(1)	(1)
Charitable Activities	-	(4)	(4)	(4)
Depreciation	-	(104)	(104)	(104)
Net incoming / (Outgoing) resources	<u>22</u>	<u>(109)</u>	<u>(87)</u>	<u>(86)</u>
Gains and losses on sale proceeds	-	2	2	0
Gains and losses on revaluation	-	38	38	75
Net Movement in Funds	<u>22</u>	<u>(69)</u>	<u>(47)</u>	<u>(11)</u>
Fund Balances at 1 April	182	1,181	1,359	1,370
Fund Balances at 31 March	<u>204</u>	<u>1,112</u>	<u>1,312</u>	<u>1,359</u>

The Trustees have expended £1,143,330 in respect of the distribution of capital and income to NML, this consisted of:

	£
Egypt Gallery (WM)	266,583
Temp Exhibition Refurb (WM)	93,489
International Slavery Museum (MMM)	603,121
Room 11 Walker Art Gallery	6,951
Ancient Greece (WM)	7,263
Room 11 Walker Art Gallery	134,025
Walker Art Gallery Collection Digitisation	31,898
	<u>1,143,330</u>

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24.
Investments

Year ended 31 March 2014

Summary	£000s
Carrying value (market value) at beginning of year	635
Add:	
Additions to investments at cost	89
Less:	
Disposals at carrying value	(98)
Add:	
Net Gain on sales and revaluation	<u>13</u>
Carrying value (market value) at end of year	<u>639</u>

The above are all listed on the UK stock exchange.

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

25. Special payments and losses

NML made payments and incurred losses during the year in respect of commercial settlements and compromise agreements, some of which are classed as a special payment under Managing Public Money guidance. None were to be disclosed within the remuneration report. Where required, approval was obtained from the DCMS and/or HM Treasury. Under the current Management Framework agreement NML is required to disclose separately any special payments of an individual value above £100,000.

The total value of special payments in the year amounted to £76,369 (3 transactions).

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