

National Museums and Galleries on Merseyside Annual Report and Accounts 2015-2016

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National Museums & Galleries on Merseyside

Annual Report for the year ended 31 March 2016

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 (FRS102), HM Treasury Financial Reporting Manual (FReM), 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).

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.

New Trustees receive training via an approved induction process, managed by both NML and DCMS. This includes a full day briefing session at NML with the Chairman, current Trustees, and senior staff, alongside a training session at DCMS. The new Trustees are apprised of the current issues being faced by the organisation in each Directorate, and receive a presentation on the visitor demographic for NML, as a whole, and for each venue. Prior to the briefing, Trustees are provided with the Trustee Code of Practice, Managing Public Money, and the Charity Commission Guidance for Charitable Museums and Galleries, documents. NML’s Strategic Plan, prior year Annual Report and Accounts, Asset Register, and Trustee Committee Terms of Reference, are also given as key information documents. Individual meetings with senior staff, and tours of venues, are provided on an ongoing basis following formal induction.

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
Jenny Baxter (appointed 1 January 2016 and resigned 23 June 2016)
Carmel Booth
Laura Carstensen
Dr Clive Elphick
Joe Godwin (retired 15 April 2015)
Heather Lauder (appointed 1 January 2016)
Andrew McCluskey
Philip Price
Dr Nicola Thorp
Clive Wilson (appointed 1 January 2016)

Trustee Committees

The following Trustee Committees met during the year:

Audit Committee
Finance Committee
Remuneration Committee

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).

In line with paragraph 5.3.4 of the FReM, the auditors will review the Annual Report for consistency with other information in the financial statements and provide an opinion on the following disclosures:

- Regularity of expenditure;
- Single total figure of remuneration for each Executive Director (Remuneration Report);
- CETV figures for each Executive Director (Remuneration Report);
- Fair pay disclosures (Remuneration Report);
- Exit packages (Remuneration Report); and
- Analysis of staff numbers and costs (Note 5)

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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
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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 Finance (Louise Parnell)
Executive Director of Collections and Estates (Sharon Granville);
Executive Director of Education and Visitors (Carol Rogers) and;
Director of Human Resources (Maxine Carden left 30 April 2015; James Best appointed 06 July 2015)

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

- World 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.

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 is committed to selection on merit.

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 funding cuts between 2010 and 2015 have been discussed with staff through individual and collective consultation processes, and meetings have been held with the trade unions.

The Trustees’ strategic direction and resolutions are disseminated through the Strategic Plan, divisional and departmental meetings, and circulation of Board minutes. Each staff member has a forward job plan that is developed to support the Strategic Plan. A weekly e-newsletter is issued covering current events and activities.

A staff ethics committee was established in 2015/16 and is now developing a proposal for a National Museums Liverpool Ethical Policy.

Persons with Access Requirements

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.

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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.

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.

NML has responded to the challenges created by reductions in public funding. NML has undergone a review of what we do, and how we work, across all functions, and has implemented a restructure of key areas of the organisation. These changes have reduced NML's overall staffing, whilst keeping with the approach of protecting front line services as much as possible.

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.

Due to the restructure process NML has only been able to recruit limited numbers of volunteers during the year. This has resulted in NML retaining a stable number of volunteers - 151 (2014/15 - 145). NML will be expanding the volunteer programme in the next financial year.

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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Directors Statement

NML is one of the leading museum services in the world, run efficiently and effectively, showing how museum activity can be of real benefit to diverse communities. Our expertise is in growing 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, and we continue to garner plaudits and awards for our work. Our award winning *House of Memories* programme, which is designed for people living with dementia, their families, and carers, has gone from strength to strength, supporting more than 10,000 people across the UK.

Nonetheless, there are still tough challenges ahead. After a decade of continuous improvement and modernisation, resulting in a growing social and economic impact, and ever-increasing visitor numbers, alongside a consequent steep fall in cost-per-visitor; we have more recently lived in a difficult fiscal and economic climate and therefore there have been job losses, a reduction in activity and a decline in number of visitors. We were therefore grateful for the Chancellor's CSR statement in December 2015 around the importance culture plays to both our society and economy. This has at least given us a stable platform from which to rebuild and visitor numbers are beginning to gradually rise again.

We are reviewing staffing structures to ensure that we are running an affordable museum service that is also fit for purpose. We are also doing everything we can to augment our income from central government, through our trading activities, increasing commercialisation, and fundraising. Our income generation is more successful than ever.

What we can be sure of is that staff, and Trustees, 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 and sustainable, in a public sector world that is shifting on its axis. We must remain extrovert, ambitious, and determined, and committed to providing the best service possible to our audiences.

Following the Liverpool City Region Devolution Agreement (November 2015), NML, the Liverpool City Region (LCR) and the Government have agreed to put in place the following arrangements:

- NML is a major cultural asset in Liverpool City Region and will work collaboratively with The Culture Partnership to align its resources and strategy with the Cultural Strategy for LCR before 2018. This will be reflected by full consultation with LCR during the development of NML's strategic and business plans and will result in shared objectives being pursued.
- For the appointment of Chair and Board Members LCR will be represented on the appointments panel by a senior representative of the LCR Combined Authority. Further consideration is needed to agree future Director of NML appointments as part of the Devolution Agreement.

Dr David Fleming OBE
Director and Accounting Officer
Director's Statement

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Operating Review

Objectives and Activities

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.

The mission that shapes our objectives remains “*To be the world’s leading example of an inclusive museum service.*”

A three-year strategic plan was introduced in 2015/16, responding to the changing external environment and setting out NML’s strategic objectives and delivery plan. In developing these objectives, and planning our activities, the Trustees have considered the Charity Commission’s guidance on public benefit.

The strategic objectives for 2015/16 were :-

- to strive to deliver an excellent, socially inclusive, entrepreneurial, and sustainable, museum service.
- to continue to mitigate the effects of funding cuts by controlling costs
- to manage the reduction in scale of NML, while striving to maximise our public impact.
- to implement a new income-generation strategy, and develop a new strategy for increasing philanthropic support for NML
- to develop appropriate partnerships which offer strategic development opportunities, regionally, nationally, and internationally.

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 to what we do, and how we do it, these drivers will remain at the core of our efforts.

We need to refocus efforts onto augmenting our income and pursuing productive partnerships to make NML more sustainable; at the same time as doing all we can to maintain morale among our staff and volunteers.

Some of the measures used to assess success are shown on p40.

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To achieve the aims and objectives NML :-

- has free access to eight venues in Liverpool and Wirral to share its collections with the public.
- loans and tours its collections around the world.
- uses its collections to support health and social care in relation to dementia, through the *House of Memories* programme.
- holds exhibitions and events developed to attract wider, and more diverse, audiences.
- has an Education and Visitors team that produce a creative and engaging cultural education programme throughout the year for schools, children, and young people, adult learners, older people, families, and community groups
- has partnerships with educational institutions, public health bodies, and regional, national, and international, museums.
- has a committed workforce, and volunteers, whose departmental, and individual objectives, line up to those of the organisation.
- has projects to deliver increased income generation through its Trading subsidiary, and within the core organisation, to improve future sustainability.

Achievements and Performance

During 2015/16 NML extended its reach with local, national, and international, audiences, through a busy programme within the museums, and through its growing influential networks.

Key Achievements

Mayas Exhibition

We were delighted to host *Mayas: revelation of an endless time* at World Museum, which was the visual arts highlight of the Mexico-UK dual year of cultural cooperation 2015. This prestigious exhibition, funded by the Mexican Government, and curated in collaboration with the Mexican Institute of Anthropology and History (INAH), in Mexico City, contributed to an 18% annual growth in visitor numbers at the Museum.

The exhibition showcased 385 extraordinary national treasures from the ancient Maya civilization, including striking sculptures, funerary masks, sacred objects, and precious gold and jade jewellery. With a supporting programme for schools, and a wide range of workshops and performances for adult and family groups, the exhibition attracted more than 260,000 visitors during the five month run. We were honored to receive visits by HRHs the Prince of Wales and the Duchess of Cornwall, and their Excellencies the Ambassadors of Honduras, and El Salvador; co-hosted with the Ambassador of Mexico, Diego Gomez Pickering.

Pre- Raphaelites Charging Exhibition

At the Walker Art Gallery in February we launched the successful *Pre-Raphaelites: Beauty and Rebellion* exhibition, which highlighted Liverpool's significant role in the Pre-Raphaelite artistic movement, and reinforced the city's position as the Victorian art capital of the north. The exhibition included works by renowned Pre-Raphaelite masters Rossetti, Madox Brown, Holman Hunt, and Millais - many of which were drawn from private collections and rarely shown in public - together with masterpieces from our own, and other public collections. This, NML's first charging art gallery exhibition for 15 years, attracted widespread media attention, and significantly raised the profile of the Gallery. Visitor numbers, ticket sales, and retail and catering sales, far exceeded expectations.

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Lady Lever Art Gallery refurbishment

The stunning new Lady Lever Art Gallery South End galleries opened to the public on 25 March 2016. This project was mainly funded by the Heritage Lottery Fund (HLF), and involved the research and redisplay of Lord Leverhulme's outstanding collections of 18th century English furniture, and portraiture, Chinese ceramics, Napoleon collections, Victorian and early 20th century sculpture, and the world's best collection of Wedgwood jasperware.

The project brought the building back to its former glory, while at the same time ensuring that it meets modern sustainability, and security, standards. We sourced high quality traditional craft skills locally for the production of mouldings, replication brass fittings, and locks, and were also able to reuse, and refurbish, original materials such as the oak block flooring, and light fittings, which had been stored since the last refurbishment of the galleries in the 1960s.

Despite partial closure of the Gallery to enable the refurbishment, we were delighted to be able to grow visitor numbers, and engage new audiences, throughout the year.

Arts Council England Partnership and Grant

A substantial partnership with Arts Council England (ACE) was established in January when it was announced that the Walker Art Gallery will join the Arts Council Collection National Partners Fund, in a three year project, largely funded by ACE, to showcase the Collection, in partnership with ACE, Towner Art Gallery in Eastbourne, Birmingham Museums Trust, and Yorkshire Sculpture Park.

House of Memories

Our *House of Memories* dementia programme expanded during the year to meet unprecedented demand, with new initiatives being developed with regional and national partners. The programme has also developed an international dimension, with work undertaken with partners in Japan, and the US, in 2015/16

Ed Vaizey, Minister of State for Culture, referred to *House of Memories* in a Radio 4 interview, as being a "good example of how you can put culture and heritage at the heart of what you do"

Nationally focused activity in 2015/16 has included delivery of the Department of Health-funded *My House of Memories* digital dementia training, with South East partners, including, the British Museum, Bexley Heritage Trust, Cinema Museum, and Brighton Royal Pavilion and Museum.

Funded by Health Education North West, NML piloted a *House of Memories* Train the Trainer programme for the region, in partnership with Countess of Chester NHS Foundation Trust, Wirral University Teaching Hospital NHS Foundation Trust, The Christie NHS Foundation Trust, and PSS Community Health.

Liverpool City Council, and Barnett Waddingham, supported a *House of Memories* Family Carer Buddy programme for the Liverpool City Region. Much further afield, following meetings and consultation with the NML team, the Minnesota Historical Society is currently funding the development and exploration of a US Model of *House of Memories*.

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Other Achievements and Performance

Audiences

We attracted 2,847,986 visits to our museums and galleries (a 7% increase on 2014/15) and this contributed to a 13.8% increase in retail and catering transactions, compared to 2014/15.

370,000 children and young people took part in NML's education programme during the year (a 7% decrease on 2014/15). The planned decrease is due to the Education Team restructure, and training in February 2015 to strengthen the curriculum offer, and management support. Education numbers have continued to rise from November 2015 onwards, and we forecast that there will be some growth in 2016/17.

There were 2.1m visits to the website in 2015/16 compared to 2m last year (an increase of 8%). Our new online collections pages, which continue to grow in quality and number, were especially popular.

We continued to grow engagement online via social media, gaining 19k Twitter followers and 11k Facebook fans during the course of the year. We now have 78k Twitter followers, 51k Facebook fans and 2k Instagram followers on our relatively new Walker account. We also increased our database of subscribers for online information by 27% and introduced a new corporate communications strategy to keep stakeholders and partners up to date about NML-wide developments.

Visitor surveys from 2015/16 show that in addition to overall growth, we have maintained diversity in the audience for the museums and galleries. There has been an increase in the number of disabled visitors and more visits from people aged over 75.

In 2015/16 there was a slight decrease in visits from people in BME groups. While we have maintained the higher level of visits which began in 2013/14, we recognise we still have work to do, to diversify the audience so that it reflects the ethnicity of the local population and wider visiting public.

We were disappointed to see that in 2015/16, the trend for reduced engagement from lower socio-economic groups has continued. In recent years, a reducing proportion of our visitor base has been drawn from lower socio-economic groups (National Socio-economic classification, groups 5-8), and is now at 21%.

NML's waterfront museums supported Liverpool's 'Three Queens' event, and six week 'One Magnificent City' festival, which celebrated 150 years of Cunard liners with a series of public events. We contributed to the city's cultural offer with events at the Museum of Liverpool and the Merseyside Maritime Museum, a display of Cunard-related collections, and Visitor Services support during the key event, which attracted more than 1 million visitors to the Liverpool waterfront.

We contributed to Liverpool's Light Night events in May 2015, with late night openings at the Walker Art Gallery and the Merseyside Maritime Museum providing access to new audiences after hours

We opened 13 exhibitions across our venues during the year.

In addition to Mayas and Pre-Raphaelites exhibitions previously mentioned, particular highlights included:

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Broken Lives, at the International Slavery Museum, (26 June 2015 to 11 December 2016). This powerful and moving exhibition drew attention to the world's biggest modern slavery issue: the exploitation of the Dalits in India. Produced in partnership with the Dalit Freedom Network UK, it illustrated the scope and scale of trafficking and slavery in India today, and met the core objectives of the International Slavery Museum in highlighting modern forms of slavery.

L8 Unseen, Museum of Liverpool (3 April to 6 September 2015). Telling the stories and experiences of people from the Liverpool 8 community, this exhibition uncovered the spirit and heritage of the local area, through filmed interviews, and striking large-scale images taken by renowned photographer Othello De'Souza-Hartley. The exhibition was organised in partnership with B3 Media, and was part-funded by the Heritage Lottery Fund.

Picturing Venice, Lady Lever Art Gallery (1 May to 27 September 2015). Drawn from NML's fine art collection, the exhibition explored the stylistic developments of European art between the mid 17th and the 20th centuries, through images of Venice, and included works by British artists such as JMW Turner, Walter Sickert, and Valerie Thornton.

On the Waterfront, Maritime Museum, (25 November 2015 to 19 June 2016). Marking the 300th anniversary of Liverpool's Old Dock - the world's first commercial wet dock- this exhibition covers the exciting story of the city's waterfront from the 18th century up to the present day.

Touring exhibitions

Pre-Raphaelite and Romantic Age Treasures (July 2015 to May 2016). An exhibition of 66 outstanding Victorian paintings and watercolours from the art collection of National Museums Liverpool toured to four venues in Japan. Arranged in Japan by Seiichiro Nakagawa of Artis Inc, the tour included Niigata City Museum of Art, (18 July to 23 September 2015), Nagoya City Museum of Art, (3 October to 13 December 2015), Bunkamura Museum of Art, Tokyo (23 December 2015 to 6 March 2016), and Yamaguchi Prefectural Museum of Art, (15 March to 31 May 2016).

Two family-friendly exhibitions developed by NML were well-attended on their UK tours. *Eye for Colour* (June to November 2015). This popular interactive science exhibition was shown at Tullie House Museum, Carlisle. *Plantastic* (February to November 2015), an interactive science exhibition about the world of plants, was shown at the Horniman Museum, London.

Collections

As part of NML's restructure, the collections management, conservation, and curatorial, divisions, were integrated under the management of the venue directors who hold responsibility for the collections. This has enabled greater integration of work programmes, and ensured that best use is made of available resources.

NML was successful again this year in obtaining significant external funding for collections-related research, development, and display, from the Heritage Lottery Fund (HLF), Esmée Fairbairn Collections Fund, DCMS Wolfson, Arts Council England, and other academic sources. Collections development funding will enable us to expand our collecting activity, acquisitions, and research, in slavery collections, and art, and it allows NML to maintain Independent Research Organisation status.

DCMS Wolfson awarded a grant to the World Museum Ancient Egypt gallery, in February 2015, for research work into, and conservation of, our important holdings of ancient Egyptian

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artefacts. The project, which will involve an expansion and redisplay of the gallery, has proceeded well during the year, and we plan to open the new gallery to the public in early 2017.

The Esmee Fairbairn Collections Fund awarded a grant to the International Slavery Museum's *Sankofa: Connections and Collections* project, in December 2015. This will enable us to research both National Museums Liverpool's collections, and material held by partners in the city region community.

Charlotte Keenan, Curator of British Art, won an Art Fund New Collecting grant to support the acquisition of Lesbian, Gay, Bisexual, and Trans (LGBT)-related works. The grant also funds mentoring, and professional development.

Some 5,999 objects from across our collection areas were loaned to museums and galleries within the UK (150 venues), and internationally (34 venues). Of these, there were 2,524 objects (over 54 venues) loaned to Liverpool City Region, including supplying objects to four separate exhibitions at The Atkinson, Southport.

Education and Visitors

The Visitor Services, Education, Retail, and Catering, teams, supported the museums and galleries in providing a first-class experience for visitors during 2015-16, resulting in highly favourable Trip Advisor reviews and ratings for all venues, and a Visit England Gold Accolade for World Museum. Visitor Services also led the 'Old Dock Tours', funded in partnership with Liverpool One. The number of visitors to the Old Dock increased throughout the year, and highlights included Heritage Open Days, and a tour for the Lord and Lady Mayoress of Liverpool.

Across the museums and galleries the Education team engaged with a wide range of audiences. At the International Slavery Museum, the education team worked with local students to create their own modern Magna Carta using the medium of stained glass, with artist Nathalie Liege. This piece of work is now suspended in the Martin Luther King Building.

As part of a wider audience development project, the Lady Lever Art Gallery education team worked with the Liverpool Chinese community to highlight the Chinese collections. Over 3,000 people attended Chinese New Year celebrations.

The Waterfront education team have continued to host several large scale events in conjunction with Initial Teacher Training departments at Liverpool Hope University, Liverpool John Moores University, and Edge Hill University. More than 1,000 trainee teachers have taken part, finding out more about the collections and facilities available for students.

World Museum was one of 21 UK science centres and museums to take part in a major Destination Space programme which celebrated the European Space Agency's first British astronaut, Tim Peake. The programme is designed to inspire young people about science and space and by April 2016 had engaged more than 17,000 people. As part of this, the Museum hosted the Times Educational Supplement's (TES) "Cosmic Classroom" event involving a video call to Tim Peake on the International Space Station. Almost half a million pupils across 58 countries linked live to the event, which was Tim's only video call to schoolchildren during his time in space. With 7m Tweets, the #cosmicclassroom hashtag trended at number 1 for six hours in the UK on Twitter. TES commented that this was comparable only to One Direction releasing an album, or the presidential race in the US.

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The Museum of Liverpool education team hosted the now annual Trans Day of Remembrance (22 November), and demonstrated our continuing partnership with LGBT groups in the city. LGBT programming is now an embedded element of NML's calendar of events, which is important in helping us to continue to broaden our audience.

Team

We continue to coach, train, and develop, our teams to make the most of our resources, and to ensure we are able to maximise opportunities in the future. Wherever possible we have sought to secure external funding to further support the development of our staff.

NML is committed to looking at ways to improve our approach to health, wellbeing, and engagement, for staff. A first staff health and wellbeing survey has been undertaken this year and the results have led to a series of wellbeing events being held. Further events, including NML's first Spring Into Summer staff event, will be held in the next financial year. In addition NML's training programme has been further developed in order to respond to information provided by the survey.

Unlike many other National Museums, our trading subsidiary, NMLT, deliver retail, catering, corporate hospitality, and events, with an in house team. This is a strategic and purposeful decision. It ensures that our visitor experiences a seamless journey from beginning to end, and that our merchandise, service, and products, can be interwoven in the story of the museum or art gallery. After all, what you buy in the shop is the part of the museum you take home with you. At NML we retain 100% of the profit derived from commercial operations, which makes us exceptionally efficient. There are also intangible benefits as colleagues work closer together to ensure cross-pollination of contacts, databases, and opportunities; this not only makes us efficient and delivers more revenue, but ensures the visitor's expectations are exceeded.

Our trading subsidiary launched an engagement strategy for all commercial operations staff, looking specifically at customer services, core values, and behaviour. Training was delivered to set new expectations for staff.

NML continued to restructure the organisation in line with reduced funding. In 2015/16 this resulted in the removal of eight posts. We continued a recruitment freeze, and recruited internally for vacancies wherever possible.

A 1% pay increase was awarded to most staff, in line with the government's pay remit. Staff on the lowest pay band received a 3.74% pay increase.

Buildings

The busy programme of maintenance and development across the museums and galleries estate throughout the year included the following highlights, in addition to the Lady Lever Art Gallery refurbishment, mentioned previously:

The expansion and redisplay of the Ancient Egypt Gallery at World Museum has provided the opportunity to undertake significant improvements to the infrastructure of this part of the building, and bring it up to modern standards. This includes installation of new HVAC systems, electrical infrastructure, security, and improved fire detection systems. Improvement and expansion of the ground floor café and shop also began, to improve facilities for visitors, and make the operation more profitable.

Work commenced in February 2016 on the Museum of Liverpool – Steps and Terraces Rectification Enabling Works package. The work consists of the removal of the existing pre-

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cast concrete stair, seat, and terrace units, together with the installation of a new waterproof membrane. This phase of the work is due to be completed at the end of April 2016, and the main contract will begin in June 2016.

Partnerships

Through the *House of Memories* programme, National Museums Liverpool has become a founder member of the new National Alliance for Museums, Health & Well Being, supported by Arts Council England.

NML was the first museum service to sign up to the Autism Charter, part of an innovative project by the Autism Alliance and the Department of Health, to build autism-friendly communities.

The Merseyside Maritime Museum education team have worked in partnership with The Together Trust, who support long-term fostered children. This has involved working with young people to research the history of the organisation and its young people, with NML delivering sessions, and discussions, about emigration.

The World Museum education team are delivering a new *Meet the Scientist* programme in which scientists from the University of Liverpool, and Liverpool John Moores University, share their latest research with visitors in an interactive, informal, and family-friendly way. By 1 April, more than 9,000 people had participated in the events.

The events division have been working closely with the ACC, a significant conference centre in Liverpool, to develop a commercial partnership to promote business tourism. Recently, they visited IMEX (the worldwide exhibition for incentive travel, meetings and events), on behalf of UKTI GREAT campaign

In partnership with the School of Museum Studies at the University of Leicester, the massive open online course (MOOC) *Behind the Scenes of the 21st Century Museum*, was successfully delivered for two runs between June 2015 and February 2016, signing up more than 17,000 learners worldwide. The course used case studies from NML to explore topics in current museum thinking.

As part of our ongoing relationship with Liverpool Hope University, the Director gave his inaugural lecture as Visiting Professor in Museum Studies on 9 March 2016, under the title of *Museums Change Lives*.

NML continues to provide expert advice to the Museum for International Democracy in Argentina on the development and project management of this new museum. The International Slavery Museum is also a partner in their national programme on contemporary slavery. The museum is due to open during 2016.

Advocacy

NML continued to contribute to various groups which support the development of the Liverpool city region visitor economy. This included membership of the Liverpool Waterfront Business Partnership, and the St George's Quarter group. NML is a founding and active member of both community interest companies, which complement the destination marketing activity of Marketing Liverpool.

NML is frequently approached internationally for its expertise in campaigning for social

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justice, building large and diverse audiences, change management, developing new museums, addressing global issues (such as the ageing population), and commercial thinking. The Director and senior staff have advised internationally in a number of countries during 2015/16 including Argentina, Australia, Austria, China, Finland, Georgia, Hong Kong, Japan, New Zealand, Norway, Sweden, and the Ukraine.

We organised a series of events for stakeholders and partners, including seven private views. The latter have enabled us to extend NML's networks to further build our supporter base as we focus more strongly on raising income through philanthropy and corporate events.

The *My House of Memories* App won its second European award, the 'Excellent Smart Health Innovation Award 2015' at the ENGAGED and eUcare - Think Dementia Conference in Eindhoven, the Netherlands.

House of Memories won the Alzheimer's Society Dementia Friendly Award for 'Best Dementia Friendly Partnership Working'.

The Executive Director for Education & Visitors was invited by the Baring Foundation, Calouste Gulbenkian Foundation, and British Council (Japan), to a week long study tour in Tokyo, with 12 fellow UK delegates. The connection was NML's pioneering work to enable creative experiences and opportunities for older people.

House of Memories has featured as part of the EU Manifesto for Arts and Older People.

The Museum of Liverpool education team organised a Human Rights Day celebration in partnership with Migrant Artists Mutual Aid choir, and delivered workshops in conjunction with City Hearts, an anti-trafficking organisation.

We continued to build a high profile for NML and its work, via the media. We generated more than 5,098 media mentions throughout the year, worth £7.9m in estimated advertising value, and with an estimated circulation of over 400m. This compares with almost 2,000 media mentions in 2014/15.

In order to support and develop existing, and new, partnerships, we extended our corporate communications activity in 2015/16, via a new regular stakeholder e-newsletter, and a well-received annual review. A new Twitter platform aimed at this audience, and sharing information about NML-wide initiatives, engaged more than 2,000 followers in its first three months.

Income and Fundraising

During 2015/16, 31% of NML's income was self-generated, amounting to £9m (including Museum of Liverpool legal income, and donated items).

NML's trading company, NMLT, returned a net profit of £359k in 2015/16 (of which £358k was donated to NML), significantly surpassing profit targets for the year by 39%. The additional profit against target is derived largely in efficiencies in costs.

In comparison to the previous year, turnover and gross profit have remained stable at £3.8m, and £2.6m, respectively. Despite this, net profit, before any gift aid to NML, decreased year-on-year by 14%, or £57.0k. The reduction in net profit can be attributed to three key areas:-

- Increased investment in staffing resources for the long term strategic expansion of the event division which will enable further growth in profit.
- Increased investment in the medium and long term strategic developments such as

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training, marketing and infrastructure.

- The Events division lost a key element of its portfolio due to the Mayas exhibition at World Museum. This space could not be sold for corporate hire for the majority of the financial year, resulting in a loss of sales of £305k, and approximately £116k profit.

The Income Generation Group (IGG), set up at the end of 2014/15, has focused on projects which will generate additional income over the next five years. This has included developing feasibility studies for charged facilities, and has streamlined the process for prioritising projects with the strongest business case. Plans are now in place to generate additional income to NML through new models that have been developed over 2015/16, for example, sharing NML skills, charging for some educational visits, developing exhibitions with touring income potential, and charging for facilities such as World Museum's planetarium.

The first IGG project, *The Pre-Raphaelites Beauty and Rebellion* exhibition delivered ticket sales and retail and catering income that far exceeded expectations, and it has provided a sound basis for developing the charging model to support financial sustainability going forward.

In 2015/16 we laid the groundwork for a new strategy which will increase philanthropic support for NML. This involved research and analysis into opportunities, and consultation with senior managers across the organisation about possible approaches. The strategy will be completed and begin delivery in 2016/17.

A framework for NML's advisory services has been developed. As a first development, speaker and expert fees have been introduced more systematically to increase income for the Director's and senior staff time and expertise.

NML continued to raise significant funds from Trusts, Foundations, and individual donors. Total fundraising recognised in the financial statements in 2015/16 was £2.7m – this is included in the self generated income of £9m. Significant fundraising achievements included:

- donation boxes raised £211,808, an increase of 9% compared with the same period 2014/15.
- the *Mayas: Revelation of an endless time* exhibition received grant funding from the Mexican government.
- the Esmée Fairbairn Collections Fund awarded a grant towards the *Sankofa: Connections and Collections Project*.
- the Art Fund awarded four grants towards the purchase of a 17th Century oil sketch *Virgin and Child in Glory* by Murillo, the Atta Kwami *Prints in Counterpoint* series, the *Cockle Pickers' Tea Set* by Paul Scott, and the purchase of Rose Wylie's *PV Windows and Floorboards*.
- Arts Council England (ACE) awarded a grant as part of their Arts Council Collection National Partners Fund.
- personal donations were received from Snr. Guillermo Whpei towards future developments at the International Slavery Museum. Snr. Whpei is founder of the Museum for International Democracy, and the Fundacion Litoral in Rosario, Argentina.
- NML received a grant from the Armed Forces Community Covenant to produce *Memories Lost*. This project focuses on capturing the memories and telling the stories of soldiers, their families, and the charities that support them, both now and in the past, while raising awareness, and increasing support for people who live with dementia.
- NML was awarded a grant by the Heritage Lottery Fund's Our Heritage programme to

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support the *Hoards of Cheshire project*. This project has enabled NML to acquire for the North West region two outstanding groups of Romano-British finds, the 'Knutsford Hoard', and the 'Malpas Hoard'.

- The Association for Science and Discovery Centres' National Astronaut Programme awarded a grant to World Museum for the programme celebrating Tim Peake's six month mission to the International Space Station.
- we received two legacies from private estates to the *House of Memories* project, and the Walker Art Gallery.
- the NML Foundation Trust has funded the development of a sustainable commercial strand of *House of Memories* including a licensed workforce programme, and dedicated website with e-learning information portal.
- Marks & Spencer Bootle Branch chose *House of Memories* as their Charity of the Year. The North West Housing Conference committee also voted *House of Memories* as the Charity of the Year for 2015.

Efficiencies and effectiveness

Over the last 12 months NML have continued to implement technology to simplify processes and reduce maintenance and management costs. These include an extension to the virtual desktop environment, and a continued reduction in desktop printing. As well as reducing costs, this has increased flexibility for staff.

NML has implemented an improvement to the HR/payroll roster system which automates the approval and reporting of overtime across all NML.

We purchased a new business intelligence IS system which enables NML to link important software – for example, those which relate to commercial income and visitor data – providing access to more effective reporting.

Following the first full year after the installation of the EPOS (Electronic Point of Sale) software the organisation is seeing many benefits – most notably through stock control efficiencies, and reduction in management time on report composition/writing. This has enabled greater growth and improvements in other areas of the commercial departments.

We have invested in a modular pop-up shop, through the Maya exhibition, which can be used across the venues to support temporary exhibitions. This investment and method of working enables the organisation to deliver an enhanced visitor experience in an efficient and timely way.

A new visitor counting solution was installed during March 2016 which includes flexible reporting, and biannual auditing, to ensure reliable and accurate visitor figures, replacing a system no longer fit for purpose.

The opportunity was taken during gallery improvement projects to reuse materials where possible, and incorporate improved and more sustainable heating, ventilation, and air conditioning systems, lighting, and finishes. For example, we were able to bring the Lady Lever Art Gallery up to modern energy efficient standards. The structures within World Museum's Egypt gallery are being 90% re-purposed from existing exhibition cases and structures. Cases from the former Egypt gallery have been refitted with energy efficient LED lighting to reduce energy consumption, as well as heat exposure, for the objects.

A modular system has been factored into exhibition design to facilitate commercial touring. This will support future income generation from touring exhibitions.

Plans for Future Periods

The Strategic Objectives for 2016/17 and beyond are

- to strive to deliver an excellent, socially inclusive, diverse, motivational, entrepreneurial and sustainable museum service
- to manage the reduction in scale of NML, while striving to maximise our public impact
- to negotiate a new role for NML through the Devolution agreement between central government and the Liverpool City Region
- to develop new sources of income and increase philanthropic support for NML
- to develop appropriate partnerships which offer strategic development opportunities, regionally, nationally and internationally.

NML is reshaping and reorganising our service to ensure NML is healthy and fit for the future. Staff numbers have been reduced over the past five years by approximately 25%, or 1 in 4 staff, and managing the impact of this reduction will sit at the centre of our continued efforts during 2016/17.

Key activities/work streams planned, include:

- following up work on the city's cultural heritage so as to ensure that NML's strategic efforts, and those of the new post of elected Mayor of the city region, are aligned, especially in the light of regional Devolution, the development of the Northern Powerhouse, and the creation of a city region Mayoralty and Local Culture Partnership.
- exploring opportunities to help ensure our staff are as healthy, happy, and engaged, as possible.
- building engagement with the health and social care sectors, beyond the *House of Memories* training experience.
- developing a health and wellbeing strategy and programme for young people, adults, and older people, across our venues.
- implementing Year Two of the 2015-20 Capital Strategy, looking at all aspects of our Estate, and including three key strands: capital repairs, rationalisation, and development. We will minimise running costs and capital repairs liabilities, and continue to develop our trading potential, and visitor offer:
 - Capital repairs: we will undertake the infrastructure improvements and capital repairs works needed to maintain the steady state; ensure statutory compliance, and maintain the normal operation of our buildings for us to ensure the safety of staff, and visitors, and care of collections.
 - Rationalisation: we will continue to rationalise accommodation, condensing staff accommodation, and operational functions. We will continue to decant collections, and other functions, from the North Street warehouse. We will continue investigations into the potential disposal of ancillary buildings.
 - Development: at the Museum of Liverpool we will complete remedial works to the

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external steps and terraces, and to ceilings. At World Museum we will complete the redevelopment and expansion of the Ancient Egypt galleries, and improvements to the ground floor shop, café, and events space, to increase income. We will also initiate development plans for the next phase of the International Slavery Museum.

- implementing a grants and donations fundraising strategy, aligned closely to the capital programme, *House of Memories*, exhibitions programme, and other strategic priorities.
- implementing a new model for exhibitions delivery, to attract local, national, and international, audiences; as well as continuing to develop the potential for increasing income from exhibitions through touring NML-generated exhibitions, partnerships with commercial exhibition producers, and partnerships with other museums.
- income generation plans that have been developing during 2015/16 will be implemented, including charging for some educational visits, and charging for facilities such as World Museum's planetarium.
- maximising profits generated through our trading subsidiary, NMLT, whilst recognising the impact of the national living wage.
- continuing our successful international partnerships with the Federation of International Human Rights Museums (FIHRM), the Social Justice Alliance of Museums (SJAM), the Museum of International Democracy in Argentina, the Taiwan National University of the Arts, and, ICOM and INTERCOM.
- networking locally, regionally, nationally, and internationally, e.g. develop our partnerships with organisations such as Homotopia, Anti-Slavery International, Clatterbridge Cancer Centre.
- further developing NML's formal strategic partnerships to enhance our reputation and impacts, and to stretch our resources further, maximising opportunities for selling skills, and generating other income opportunities.
- maintaining strong relationships with disadvantaged community networks that experience social injustice (lack of opportunity, education, means, access, skills development, and employment).
- looking at the social consequences and impacts of volunteering, especially on lonely, isolated, and vulnerable, people, as part of our strategy for social inclusion, and changing lives.

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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 £19.8m (£20.5m 2014/15).

Due to the introduction of FRS102, a transition adjustment, relating to holiday pay that now must be accrued, has been made. This has reduced the general funds brought forward from 2014/15 by £364k. The 2014/15 Annual Report and Accounts has also been restated to reflect this. Further details are given in Note 26 to the financial statements.

As a result of Grant-in-Aid funding reductions NML continued with its Making Choices programme which saw a reduction of 8 staff during the year (42 staff 2014/15) due to the fourth voluntary exit programme which was provided for in the 2013/14 financial year. 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 25. The surplus for the year was £0.5m resulting in a total revenue free fund balance of £5.5m as at 31 March 2016. This surplus was due to lower employment and project costs than budgeted and increased income from NMLT and charitable activities.

Net expenditure, before transfers and gross indexation of tangible fixed assets for the year, showed a deficit of £1.5m. The unrealised surplus on revaluation of land and buildings as at 31 March 2016 produced a gain of £3.7m. A revaluation of investments produced a surplus of £1k resulting in a total increase in revaluation funds of £3.7m.

Reserves Policy

The consolidated free income reserve available at 31 March 2016 was £5.5m (£4.9m 2014-15). This is inclusive of designated funds of £0.3m, (£0.3m 2014-15) and the general fund £5.2m (£4.6m 2014-15). The General fund includes £0.2m (£0.2m 2014-15) which is the fixed asset representation of the subsidiary trading company. The resulting free income reserve representation is £5.0m (£4.4m 2014-15).

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 current spending review settlement agreed as part of the 2015 Spending Review covers the period to 2019-20. This resulted in a flat cash settlement which although a cut in real terms, was much better than expected.

However, the funding settlement from DCMS indicates that contingency plans of 5% should be held which may need to be drawn back. In addition, the longer term impact of devolution for NML within Liverpool City Region will continue to evolve.

Hence reductions in funding remain a significant risk and as approximately 60% of NMLs revenue GiA funding is invested in staff, funding cuts are likely to result in restructuring. This restructuring takes time, is expensive and needs to be financed from within NML hence adequate reserves need to be held to ensure NML can react to significant changes in funding.

In addition there are financial risks associated with capital projects and unforeseen liabilities

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for example within NMLs deteriorating estate.

On-going financial planning is essential to identify any potential issues at the earliest opportunity.

The Trustees therefore remain committed to holding free fund reserves of between one and three months (£1.7m - £5.0m) equivalent Grant-in-Aid, to protect NML against falls in income streams or unpredicted liabilities.

The Trustees have determined that the current level of reserves remains adequate in respect of 2016-17 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 main capital project in 2015/16 is the Lady Lever Art Gallery South End Development. This is a project that is now substantially complete with a total cost of £2.3m, which is wholly funded by external grants and donations. HLF is the largest contributor granting £1m.

The remainder of the capital programme was focussed on smaller projects the majority of which were critical repairs and refurbishments.

In compliance with the Charities SORP (FRS102), NML appointed Drivers Jonas Deloitte to carry out a full "red book" valuation of its land and buildings, as at 31 March 2012. In 2015/16 NML commissioned Deloitte to undertake a desktop valuation for both land and buildings as at 31 March 2016 to avoid the significant swings in valuation seen between years when applying an index and to get a realistic valuation of the Estate.

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

Historically NML has held an unapplied receipt from the disposal of a property within its capital reserve account. £0.2m in respect of 63/65 Blundell Street, Liverpool, continues to be held unapplied. Application consents were received from DCMS In March 2002.

Trading Subsidiary

NML wholly owns a subsidiary trading company, NML Trading Limited (NMLT), which provides a range of catering, retail, conferencing and general commercial 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 2015/16 NMLT made an operating profit of £359k, £358k of which will be donated to NML by way of Gift Aid.

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

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“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 the year commencing 1 April 2015. Hence from 31 March 2016 this grant has now ceased. 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 £140k per annum. The final year will be 2015/16. The grant is no longer subject to any inflators. The full grant £140k 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 NML has made grants to the NML Foundation of £2.3m (2014/15 £0.8m) in support of its charitable objectives. Including the grant to Speke Hall the total amount of grants made in the financial year was £2.4m (2014/15 £0.9m).

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 2015/16 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 2015/16 89% (2014/15 89%) of NML’s creditors were paid within 30 days of receipt of the invoice.

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

Principal Risks and Uncertainties

In 2015/16, £19.8m (69%) 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.

The longer term impact of devolution for NML within Liverpool City Region will continue to

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evolve.

As part of the devolution process, DCMS commissioned a survey of the NML estate which was undertaken by Faithful and Gould in 2015/16. This identified a £15m backlog of repairs that are required to address both the legacy of past under-investment and also low quality repairs that were undertaken in the 1980s and 90s and which still continue to have an impact; as well as the normal wear and tear on service infrastructures and building fabrics. In the absence of the full sum being available to address these issues a risk-based approach is undertaken to help prioritise the works programme in any one year to maintain operations across all sites and venues, and meet statutory obligations to ensure public safety and security of the collections.

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

There are no material uncertainties within the annual report and accounts.

Donations made

There were no charitable donations, or political donations paid during the financial year 2015/16.

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 0.5%.

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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 2015/16

	£000	£000
<u>Income and endowments from:</u>	2016	2015
Grant-in-Aid DCMS	18,266	18,955
Donations and legacies	227	218
Charitable activities	1,928	2,513
Other trading activities	3,692	3,702
Investment income	51	48
Other	-	-
Total	<u>24,164</u>	<u>25,436</u>
<u>Expenditure on:</u>		
Raising funds	336	348
Charitable activities;		
Operating expenditure (excluding depreciation)	17,173	20,241
Grants to third parties	2,440	915
Fees & charges activities of charity staff	375	249
Other trading activities	3,224	3,119
Total	<u>23,548</u>	<u>24,872</u>
Net gains (losses) on investments	-	-
Net income/(expenditure)	616	564
Transfers between funds	(86)	(67)
Net movement in funds	530	497
Balance brought forward at 1 April	4,935	4,438
Balance carried forward at 31 March	<u>5,465</u>	<u>4,935</u>
The balance on free income funds comprised:		
	2016	2015
	£000	£000
Collection Purchase Fund	3	3
Border Force admissions	79	94
Academic publications	155	139
Miscellaneous	71	70
General funds	5,157	4,629
Balance at 31 March	<u>5,465</u>	<u>4,935</u>

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd £218k (£200k 2014/15) is contained within the General funds balance. The full NMLT representation within the total funds is £611k (£381k 2014/15).

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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 2015/16. The audit fee in respect of this work was £47k. BWMacfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £6k. 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.

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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.

Sustainability is explicit within NML's vision and values, and is an integral part of our strategic objectives. NML first produced an Energy and Environmental Policy 14 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 data was gathered, and, from that data, targets could be set. NML therefore made a major investment in installing ½ hourly monitoring throughout our 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, 2012, and 2014. This information is now used to supply the data for the annual Carbon Reduction Commitment report.

NML continues to invest, year on year, in replacing its aging infrastructure, with more efficient and effective heating, lighting, and cooling systems. In this reporting year, we have replaced the boiler in the MLK building, starting a programme of replacing lighting systems with LED technology, and installed water saving urinals and washbasins, throughout the Merseyside Maritime Museum.

The Museum of Liverpool, which opened in July 2011, was designed as a 21st century building, and has received national acclaim for its green initiatives. The Museum is powered using state-of-the-art renewable and energy efficient technologies. The Combined Heat and Power (CHP) plant enables the site to operate on power generated directly on site.

The building also benefits from a rain water harvesting system which supplies 'grey' water to the museum's toilets. From 2011, NML set new targets based on the Government's Sustainable Development in Government guidance. 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.

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

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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.

Estate wide Carbon impact

Area		2013/14	2014/15	2015/16
Greenhouse Gas emissions (t CO²e)		9,179	8,543	7,682
Estate energy	Electricity consumption kWh	10,925,178	10,509,695	9,943,644
	Expenditure	£1,029,585	£1,048,250	£1,009,755
	Gas consumption kWh	17,803,660	15,934,096	15,619,180
	Expenditure	£521,522	£417,465	£395,003
Estate Waste	Total Amount -tonnes	188.4	202.2	213.7
	Total Expenditure	£35,824	£40,602	£52,033
	ICT Waste (at zero cost) -tonnes	1.3	3.5	1.6
	Waste incinerated with energy recovery -tonnes	6.5	49.4	71.4
	Waste to Landfill -tonnes	27.9	15.7	0.4
	Waste Recycled -tonnes	160.3	186.5	140.3
Estate Water	Consumption	40,521 m ³	37,055 m ³	34,682 m ³
	Expenditure	£65,619	£60,337	£60,010

Note: The statistical information in the table above relating to gas emissions, gas, and electrical, consumption, is from NML's internal verification data. Costs have risen in line with inflation. Figures used include accruals based on expected rates.

Waste minimisation and management

NML is committed to minimising waste to landfill and to this end work closely with Bagnall & Morris, a 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.

99.9% of total waste is recycled/recovered. Bagnall & Morris have confirmed that NML is doing all that is practically possible to maximise recycling efficiency at all sites, and that the current practice falls in line with 'TEEP' legislation. This states that

National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2016

individual waste stream collections should be provided if it is 'Technically, Environmentally, Economically, and Practically', beneficial.

Biodiversity and Natural Environment

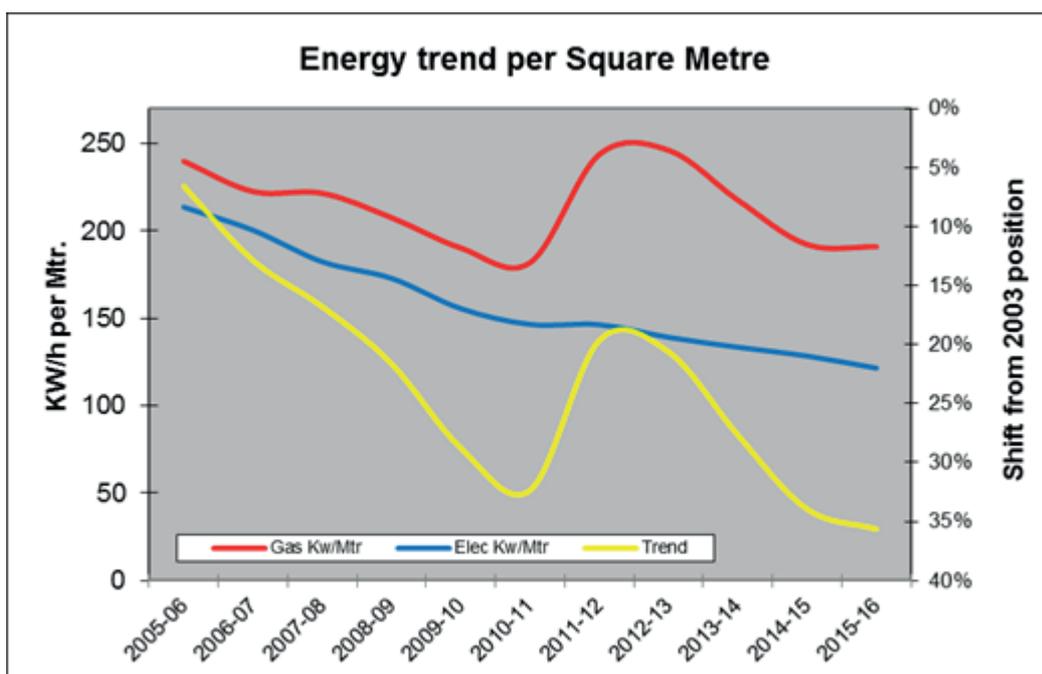
NML has an important role to play in the conservation and protection of the natural environment. By adopting policies on the sustainable procurement of goods and services, NML can reduce its impact on the natural world.

It is important that visitors understand the role played in supporting the protection of the natural world. This is communicated through messages in our Endangered Planet gallery at World Museum, and through formal, and informal, education programmes. Staff in the Clore Natural History Centre, Aquarium, and Bug House, at World Museum, in particular, 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 being established in front of World Museum, and the 200+ 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, and 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, and the development of energy, transport, and other infrastructures.

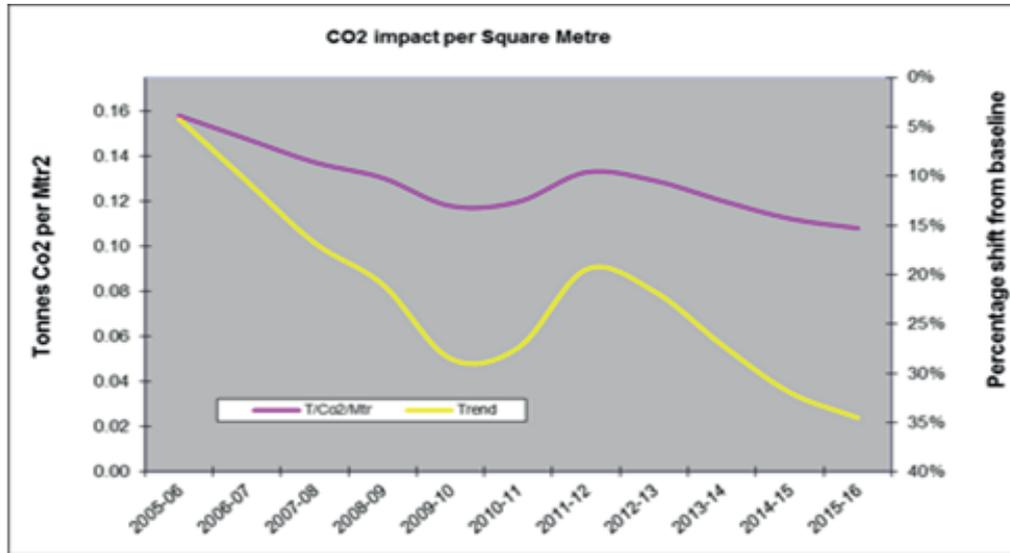
Resource consumption

Through many initiatives over recent years, NML has exceeded the target that by 2010 we would reduce energy consumption per m² by 12.5% below 2001/02 levels.

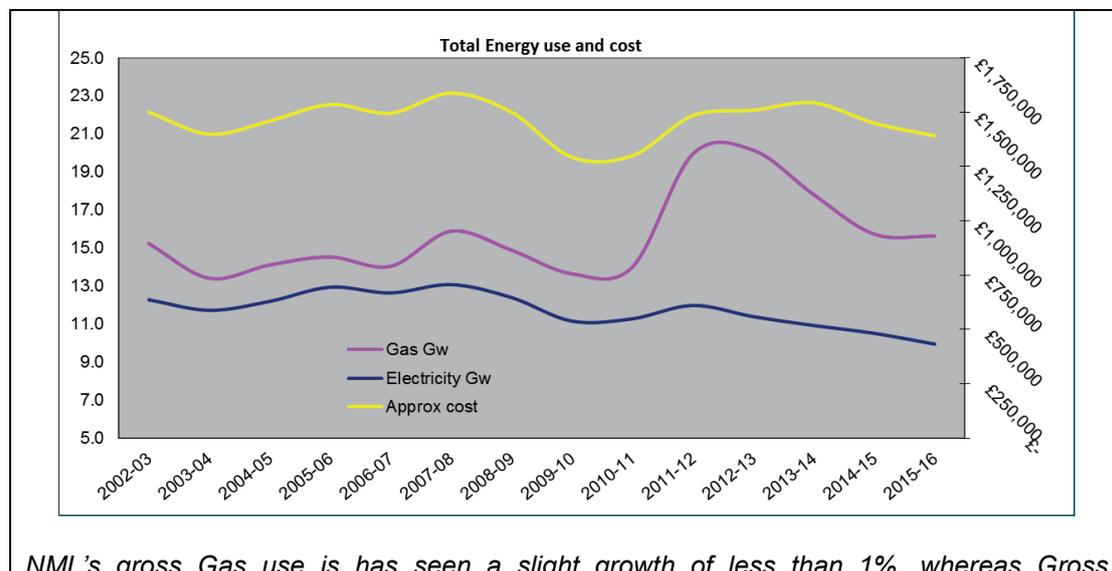


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In July 2011 the new 10,000 square metre Museum of Liverpool building opened. A commensurate increase in energy consumption could have been anticipated. However, despite this increase in operational footprint, NML has developed understanding and management of the relationship between the CHP supply and energy demand from the operational building, and more than contained the anticipated rise. Through close energy management the energy trend across the NML Estate has reduced significantly over the period, bringing the Kwh per Mtr. reduction to 36% below its 2003 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 has been altered and added to over the last 40-50 years, leading to (in places) inefficient electrical performance. This led to many new initiatives and infrastructure improvements over the past years, the most notable being 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. 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.



NML's gross Gas use is has seen a slight growth of less than 1%, whereas Gross

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Electricity use continues to reduce by a further 3% in year, this being due to a combination, of increased efficiencies in equipment, and continued improvements in infrastructure.

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 35%.

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 ISO14001 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

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Remuneration Report

NML has prepared this Remuneration Report in accordance with the Government Financial Reporting Manual, which require disclosure of information about directors' remuneration where "director" is interpreted to mean those having authority or responsibility for directing, or controlling, the major activities of NML as a whole. In NML's opinion it is the Trustees and the five Directorships described below, who are responsible for directing and controlling the major activities of NML as a whole.

There are now five Directorships within NML, these are:

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

Further details on staff costs can be found in Note 5 of the financial statements.

The Chair and Board of Trustees neither received nor waived any remuneration for their services during the year (2014/15: nil). The emoluments of the Directorships are shown in the table on page 35.

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

- Executive Team;
- Senior Management Team;

The Executive Team consists of the five Directorships, plus the Director of Commercial Operations NMLT. The Director of Commercial Operations does not have any decision making powers. The annual appraisals of the Executive Team (minus the Director of Commercial Operations) are countersigned by the Remuneration Committee.

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

The membership of the Remuneration Committee for the year ending 31 March 2016 comprised:

- Chair of Audit Committee,
- Chair of Board of Trustees,
- Chair of Finance Committee .

During the year, 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;
- improve accountability and transparency about NML's general remuneration policy.

National Museums & Galleries on Merseyside

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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.

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 2015.

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 £14,754 which was paid in 2015/16.

A 1% pay increase was awarded to most staff in line with the government's pay remit. Our lowest graded staff received a 3.74% pay increase.

The average number of days lost (per employee) due to sickness during the year was 10.55 days, or 5.02 days, excluding long term sick, in 2015/16, (9.37 days, or 4.07 days, excluding long term sick, in 2014/15).

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

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

Senior staff are established 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 (£5k bands)

	Salary Including Performance pay 2015/16 £'000	Salary Including Performance pay 2014/15 £'000	Pension Benefits ¹ 2015/16 £'000	Pension Benefits ¹ 2014/15 £'000	Total 2015/16 £'000	Total 2014/15 £'000
D Fleming Director	110-115 Plus non-consolidated bonus 10-15	110-115 Plus non-consolidated bonus 10-15	30-35	20-25	155-160	145-150
S Granville Executive Director of Collections and Estates	70-75	70-75	20-25	15-20	90-95	85-90
Carol Rogers Executive Director of Education and Visitors	70-75	70-75	25-30	15-20	100-105	85-90
A De Joia ³ Executive Director Development and Communications	nil	50-55	nil	5-10	Nil	60-65
Maxine Carden ⁴ Director of Human Resources	15-20 (50-55) ²	50-55	0-5	10-15	15-20	65-70
James Best Director Of Human Resources	35-40 (50-55) ²	n/a	75-80 ⁵	0	115-120	n/a
Louise Parnell Executive Director of Finance	65-70	20-25	25-30	5-10	95-100	30-35
Ann Monk Executive Director Of Finance	nil	25-30	nil	10-15	nil	35-40

- 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.
- ²Represents annualised salary

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Annual Report for the year ended 31 March 2016

- ³A de Joia received an exit payment of £95,750 in December 2014.
- ⁴M Carden received an exit payment of £72,000 which was paid in May 2015, but provided for in 2014/15.
- ⁵The high figures shown reflect a significant in year promotion, resulting in an increase in annual pension benefits which is then multiplied by 20 as indicated in point ¹ above.

There were no benefits in kind received by the Directors.

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>2015/16</u>	<u>2014/15</u>
<i>Mid-point of Band of Highest Paid Director's</i>		
<i>Total Remuneration</i>	£127,500	£127,500
<i>Median Total Remuneration</i>	£ 18,715	£18,378
<i>Remuneration Ratio</i>	6.81	6.94

The mid-point of the band of remuneration of the highest-paid director in the National Museums Liverpool in the financial year 2015/16 was £127,500 (2014/15 £127,500). This was 6.81 (2014/15 6.94) times the median remuneration of the workforce, which was £18,715 (2014/15 £18,378).

In 2015/16, nil employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,318 to £127,500 (2014/15, £14,759-£127,500).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in kind (of which there are none). It does not include employer pension contributions, and the cash equivalent transfer value of pensions.

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Annual Report for the year ended 31 March 2016

Pension Benefits

	Accrued pension at normal retirement age as at 31/03/16 and related lump sum £'000	Real increase in pension and related lump sum at normal retirement age £'000	CETV at 31/03/16 £'000	CETV ¹ at 31/03/15 £'000	Real increase in CETV £'000
D Fleming Director	45-50 Plus lump sum 135-140	0-2.5 Plus lump sum 5.0-7.5	993	986	30
S Granville Executive Director of Collections and Estates	25-30 Plus lump sum 80-85	0-2.5 Plus lump sum 2.5-5.0	552	493	17
Carol Rogers Executive Director of Education and Visitors	15-20	0-2.5	258	212	23
Maxine Carden Director of Human Resources	20-25 Plus lump sum 60-65	0-2.5 Plus lump sum 0- 2.5	375	367	1
James Best Director Of Human Resources	10-15 Plus lump sum 30-35	2.5-5.0 Plus lump sum 7.5-10.0	156	103	41
Louise Parnell Executive Director of Finance	0-5	0-2.5	22	5	11

- 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

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 (Government Actuary's Department) valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionschemes.gov.uk).

For 2015/16, employers' contributions of £1,768,727 were payable to the PCSPS (2014/15: £1,640,335) at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands (the rates in 2014/15 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. The contribution rates are set to meet the cost of the benefits accruing during 2015/16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2016

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2015/16 employers' contributions of £13,496 were paid to one or more of a panel of three appointed stakeholder pension providers. Employee contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £608, 0.5% 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.

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Employees received no benefits in kind during the year.

National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2016

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	
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
2	< £10,000	nil	nil	4	nil	4	nil
3	£10,000-£25,000	nil	nil	22	3	22	3
4	£25,000-£50,000	nil	nil	13	2	13	2
5	£50,000-£100,000	nil	nil	3	3	3	3
6	Total number of exit packages	nil	nil	42	8	42	8
7	Total resource cost / £000s	nil	nil	1,079	308	1,079	308

The above represents actual exits in year and the respective cost of those exits.. 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: 30 June 2016

**National Museums & Galleries on Merseyside
Annual Report for the year ended 31 March 2016**

FUNDING AGREEMENT PERFORMANCE INDICATORS – 2015/16 OUTTURN

Performance Indicator	2015/16 Out-turn	2014/15 Out-turn
Core Targets		
KPI (1) Total number of visits	2,847,986	2,654,301
KPI (2) Charitable giving - fundraising including donated assets;	£2,359,000	£3,937,000
Donated Assets included above:	£114,000	£2,104,000
OPI (1) Number of unique website visits ¹	2,166,140	2,008,068
OPI (2) Number of visits by children under 16	458,525	501,663
OPI (3) Number of overseas visits	407,261	403,454
OPI (4) Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	163,465	183,289
OPI (5) Number of instances of visitors under 18 participating in on-site organised activities	207,037	214,019
OPI (6) Percentage (%) of visitors who would recommend a visit	97%	98%
OPI (7) Admissions income (gross income)	£278,558	£194,156
OPI (8) Trading income (net income)	£1,674,879	£1,278,436
OPI (9) Number of UK loan venues ²	150	145

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 numbers of objects on loan in the UK and abroad was 5,999 (2014/15-3764.)

NML has stated both key and other indicators.

No targets were set by DCMS for 2015/16

Dr David Fleming OBE
Director and Accounting Officer
Date: 30 June 2016

Professor Phil Redmond CBE
Chairman of Trustees
Date: 30 June 2016

National Museums & Galleries on Merseyside
Statement of Trustees' and Director's responsibilities
For the year ended 31 March 2016

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;
- prepare the account on the going concern basis, unless it is inappropriate to presume that NML will continue in operation;
- confirm that so far as they are aware, there is no relevant audit information of which NML's auditors are unaware; and
- confirm that the trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that NML's auditors are aware of that information.

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: 30 June 2016

Professor Phil Redmond CBE
Chairman of Trustees
Date: 30 June 2016

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 2016

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.

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, and have provided challenge and support to the Executive Team in planning, and preparation, for the impact of reduced public funding.

The Board met four times during the year for formal board meetings and once for an informal board session 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, Committees;
- items accessioned;
- loans agreed;
- performance metrics; and
- health and safety

Although the Director is responsible for the day to day running of the organisation certain matters are reserved to Trustees for consideration and decision. The Trustees are consulted on major strategic issues, or where it is foreseeable that a decision, or action, could damage the reputation of NML, as designated within the Schedule of Matters Reserved to Trustees.

NML's Chairman's term of office ends on 31st July 2016 but it is hoped that he will be granted an extension until 31 December 2016, in order for a suitable replacement to be recruited.

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2016**

Recruitment of six new trustees to the Board was announced in December 2015. Trustees were appointed against set criteria, to include experience in estate management, legal, commercial, and architectural, areas, as well as general Trustee qualities and capabilities. Three of these appointments were effective from 1 January 2016 and three from 1 April 2016.

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.

In 2016/17 the Trustees on the Audit Committee will meet with the External Auditors, without the presence of management, to enable frank discussions on any issues to take place, prior to, and aside from, formal meeting proceedings. Internal Audit will be invited where appropriate.

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. Trustees in post at year end are denoted by an asterisk.

Name	Board (4)	Audit (5)	Finance (5)	Remuneration (1)
<u>Trustees</u>				
* P Redmond	100%			100%
* J Baxter	100%			
* C Booth	75%	80%	80%	100%
* L Carstensen	50%			
* C Elphick	100%	100%	80%	100%
J Godwin	0%			
* H Lauder	100%	100%		
* A McCluskey	50%			
* P Price	75%		100%	
* N Thorp	75%	80%		
* C Wilson	100%			

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2016**

Name	Board (4)	Audit (5)	Finance (5)	Remuneration (1)
<u>Associate Trustees</u>				
* D Appleton		40%		
* G Hitchmough			80%	

The number of meetings held in the year is shown in brackets next to the meeting name. Where Trustees are not members of the Committee, the respective column is left blank. Where Trustees have joined/left the Board, or a Committee, during the year, their attendance has been adjusted to account for the total number of meetings that they were eligible to attend.

Compliance with the Corporate Governance Code

The 'Corporate governance in central government departments: Code of good practice 2011' was developed specifically to support corporate governance in ministerial departments. NML has adopted many of the practices set out in this code. In particular NML's compliance with this code is demonstrated within this governance statement in relation to our management of:-

- the control environment
- quality of Board information
- Board effectiveness
- internal audit
- risk

In line with the code of good practice, the Board 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 Committee level. Board of Trustee minutes are available on NML's website.

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, as is required by the "managing public money" guidance, issued by HM Treasury.

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 NML's policies, aims, and objectives, being realised, and the impact should they be realised, and to manage them efficiently, effectively, and economically.

NML has in place a Whistleblowing policy and associated procedures and, though no instances of it having being used in this year have been recorded, the policy and procedures were used in 2014/15 and resulted in action being taken against the staff

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2016

reported.

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.

Register of Interests are kept for Trustees and the Executive Team, and conflicts of interest are an agenda item at every Trustee meeting.

The Internal Audit Plan for the coming year will review internal controls in key areas, and identify any areas for improvement.

Quality of information presented to the Board

A standard reporting set has been agreed with the Chair and the Secretary to the Board and feedback is taken into account regarding on-going changes to requirements. A new NML Dashboard, containing information on performance against DCMS Key Performance Indicators, and Performance Indicators, was implemented in 2015/16.

Financial reporting is scrutinised by the Finance Committee prior to submission to the Board. 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, NML 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

A formal questionnaire based review of the effectiveness of the Audit Committee was carried out during 2014/15. In 2015/16 there was a more informal discussion-based review of performance, reviewing the comments and actions from the 2014/15 review.

A review of the effectiveness of the Board will be undertaken in early 2017/18, once newly appointed Trustees have been in post long enough to be able to contribute effectively.

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.

Internal Audit, within the Governance Review undertaken in the year, reviewed the induction process for new Trustees, and, the overall findings of the review was that this was an area of low risk and recommendations for action to be taken were incorporated into the induction programme for new Trustees appointed at the end of 2015.

National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2016

NML has suffered no protected personal data incidents during 2015/16, 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 May 2015 for the period to March 2016. 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: Central Financial Health Check, Corporate Governance, Income Generation, Key Financial Controls, Collections Management - Archaeology, NML Trading Ltd, Visitor Services. In addition, a rolling programme of venue-based reviews is carried out, which focuses on physical security processes, and financial controls.

There were two high risk findings as a result of the reviews. Actions agreed as a result of those findings have been taken and the findings have now been closed, with Internal Audit approval.

In addition, significant action has been taken to reduce the number of outstanding actions, with only 14 medium and low risk rated findings currently outstanding as at April 2016, compared to 32 in the previous year.

The Head of Internal Audit's opinion for the year is presented below. It is the second highest category regarding assurance that is granted.

Head of Internal Audit's opinion

Based on the risk appetite and the internal audit plan agreed with you, we have completed our programme of work and we believe that governance, risk management and control in relation to business critical areas is generally satisfactory, with some improvements required.

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 in 2014/15 placed this as a low risk, and the risk maturity level of the organisation as 'established'. This reflects the ongoing 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;

**National Museums & Galleries on Merseyside
Governance Statement
For the year ended 31 March 2016**

- 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 NML has updated its strategic risks to the organisation and managed accordingly the relevant controls in place, and detailed reviews presented to, and discussed, with the Audit Committee. NML has identified the following as its highest risks:

- Decline in Grant-in-Aid funding
- Inability to materially increase earned income through corporate fundraising and sponsorship
- Liverpool City Region devolution agenda and impact on NML's future.

NML has an income generation team in place to exploit income generating opportunities, and report successes to its stakeholders.

Following the Liverpool City Region Devolution Agreement (November 2015), NML, the Liverpool City Region (LCR) and the Government have agreed to put in place the following arrangements:

- NML is a major cultural asset in Liverpool City Region and will work collaboratively with The Culture Partnership to align its resources and strategy with the Cultural Strategy for LCR before 2018. This will be reflected by full consultation with LCR during the development of NML's strategic and business plans and will result in shared objectives being pursued.
- For the appointment of Chair and Board Members LCR will be represented on the appointments panel by a senior representative of the LCR Combined Authority. Further consideration is needed to agree future Director of NML appointments as part of the Devolution Agreement.

Dr David Fleming OBE
Director & Accounting Officer
Date: 30 June 2016

Professor Phil Redmond CBE
Chairman of Trustees
Date: 30 June 2016

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 2016 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 Statements and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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 expenditure and income 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 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 2016 and of its net expenditure for the year then ended; and

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

- 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 the Governance Statement, Financial Review and Sustainability Report sections of the Annual 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
Comptroller and Auditor General**

Date 5 July 2016

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 2016

	Notes	Unrestrict ed funds £000	Restrict ed funds £000	Total 2016 £000	Unrestrict ed funds £000	Restricted funds £000	Total 2015 £000
					Restated		Restated
<u>Income and endowments from:</u>							
Donations, grants and legacies	2,2a,6a	19,988	2,912	22,900	20,719	3,700	24,419
Charitable activities	7a	1,928	-	1,928	2,513	-	2,513
Other trading activities	9	3,692	-	3,692	3,702	-	3,702
Investments	7b	51	32	83	48	35	83
Other		-	-	-	-	-	-
Total		25,659	2,944	28,603	26,982	3,735	30,717
<u>Expenditure on:</u>							
Raising funds		336	-	336	348	-	348
Charitable activities:							
Care of collections		4,464	856	5,320	5,355	844	6,199
Care of buildings		7,694	2,728	10,422	9,643	2,777	12,420
Visitor services		3,780	108	3,888	4,153	127	4,280
Exhibitions		1,937	65	2,002	1,626	55	1,681
Education and research		2,034	58	2,092	2,135	65	2,200
Grants to third parties		2,440	-	2,440	915	-	915
Fees and charges activities of charity staff		375	-	375	249	-	249
Other trading activities	9	<u>3,224</u>	-	<u>3,224</u>	<u>3,119</u>	-	<u>3,119</u>
Total	4	<u>26,284</u>	<u>3,815</u>	<u>30,099</u>	<u>27,543</u>	<u>3,868</u>	<u>31,411</u>
Net gains on investments	24	-	1	1	-	38	38
Net (expenditure)	3	(625)	(870)	(1,495)	(561)	(95)	(656)
Transfers between funds		4	(4)	-	-	-	-
Gains on revaluation of fixed assets	6	2,339	1,320	3,659	6,657	3,919	10,576
Other gains/(losses)		-	-	-	-	-	-
Net movement in funds		<u>1,718</u>	<u>446</u>	<u>2,164</u>	<u>6,096</u>	<u>3,824</u>	<u>9,920</u>
Reconciliation of funds:							
Fund balances brought forward at 1 April		<u>118,539</u>	<u>117,693</u>	<u>236,232</u>	<u>112,443</u>	<u>113,869</u>	<u>226,312</u>
Fund balances carried forward at 31 March	14	<u>120,257</u>	<u>118,139</u>	<u>238,396</u>	<u>118,539</u>	<u>117,693</u>	<u>236,232</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 54 to 93 form part of these accounts.

National Museums & Galleries on Merseyside
Consolidated Balance Sheet
As at 31 March 2016

	Notes	2016 £000	2015 £000 Restated
Fixed assets			
Tangible assets	6	213,453	212,765
Heritage assets	6a	<u>14,385</u>	<u>14,104</u>
		227,838	226,869
Current assets:			
Stock		226	238
Investments	24	662	679
Debtors	10	2,251	2,880
Cash at bank and in hand		<u>11,083</u>	<u>10,515</u>
		14,222	14,312
Creditors: amounts falling due within one year	11	<u>(3,219)</u>	<u>(4,021)</u>
Net current assets		<u>11,003</u>	<u>10,291</u>
Total assets less current liabilities		<u>238,841</u>	<u>237,160</u>
Creditors: due after more than one year	11	(445)	(445)
Provisions	12	:	<u>(483)</u>
Total net assets		<u>238,396</u>	<u>236,232</u>
Represented by:			
Income funds			
Restricted funds	14	118,139	117,693
Unrestricted funds:			
Designated funds	14	115,100	113,910
General funds	14	<u>5,157</u>	<u>4,629</u>
Total funds		<u>238,396</u>	<u>236,232</u>

The notes on pages 54 to 93 form part of these accounts

Dr David Fleming OBE
 Director and Accounting Officer
 Date: 30 June 2016

Professor Phil Redmond CBE
 Chairman of Trustees
 Date: 30 June 2016

**National Museums & Galleries on Merseyside
Museum Balance Sheet
As at 31 March 2016**

		£000	£000 Restated
Fixed assets			
Tangible assets	6	213,235	212,565
Heritage assets	6a	14,385	14,104
Investment in NML Trading Limited	9	<u>610</u>	<u>380</u>
		228,230	227,049
Current assets:			
Stock		-	16
Investments	24	662	679
Debtors	10	2,662	3,399
Cash at bank and in hand		<u>10,136</u>	<u>9,755</u>
		13,460	13,849
Creditors: amounts falling due within one year	11	<u>(2,941)</u>	<u>(3,793)</u>
Net current assets		<u>10,519</u>	<u>10,056</u>
Total assets less current liabilities		<u>238,749</u>	<u>237,105</u>
Creditors: amounts due after more than one year	11	(355)	(391)
Provisions	12	-	<u>(483)</u>
Total net assets		<u>238,394</u>	<u>236,231</u>
Represented by:			
Income funds			
Restricted funds	14	118,139	117,693
Unrestricted funds:			
Designated funds	14	115,100	113,910
General funds		<u>5,155</u>	<u>4,628</u>
Total funds	27	<u>238,394</u>	<u>236,231</u>

The notes on pages 54 to 93 form part of these accounts

Dr David Fleming OBE
Director and Accounting Officer
Date: 30 June 2016

Professor Phil Redmond CBE
Chairman of Trustees
Date: 30 June 2016

National Museums & Galleries on Merseyside
Consolidated Cash Flow Statement
For the year ended 31 March 2016

	Notes	2016	2015
		£000	£000
Cash used in operating activities	19	3,411	1,216
Cash flows from investing activities			
Interest and dividends received		83	83
(Increase)/ Decrease in investments		18	(2)
Purchase of tangible assets		<u>(2,944)</u>	<u>(2,657)</u>
Cash used in investing activities		<u>(2,843)</u>	<u>(2,576)</u>
(Decrease) / increase in cash in the year	19	<u>568</u>	<u>(1,360)</u>

The notes on pages 54 to 93 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 (FRS102).

Information on the first time adoption of FRS 102 is given in Note 26 to the financial statements.

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.

There are no material uncertainties related to events or conditions that cast significant doubt on the ability of NML to continue as a going concern.

Consolidated financial statements have been prepared for NML and its subsidiary company NMLT. In addition a separate Balance Sheet and Statement of Financial Activities (SOFA) 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 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, HLF income and European Regional Development Fund are recognised as and when the conditions for their receipt have been met.

In line with the Charities SORP (FRS102), other income is recognised in the SOFA when the following criteria are met :-

- There is entitlement to the income,
- It is probable that it will be received,
- The income and associated costs can be measured reliably.

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

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2016

Income from charitable activities primarily includes; rental income, car parking income, exhibitions, special projects and fees and charges under commercial contracts.

Incoming resources of a similar nature are grouped together in line with Charities SORP (FRS102) requirements.

c) ***Expenditure***

Resources expended of a similar nature are also grouped together in line with the Charities SORP (FRS102).

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. These costs are apportioned over the charitable activities within the SOFA as per FRS102.

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 and useful lives are assumed to be infinite.

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 FRS102 are addressed at note 6a. 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 donated items 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, either an external desktop valuation or, 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.

NML's 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 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. There is no such liability recognised in this year's accounts.

Where a constructive obligation exists at 31 March a provision is made for voluntary severance in line with the accounting standard FRS102. The estimates are quantified by MYCSP.

Other provisions are made when constructive obligations as a result of past events, existing at 31 March, are identified. There is no such liability recognised in this year's accounts.

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 NMLT 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 2010/11.

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March 2016

2. Grant-in-Aid and voluntary contributions

£19,761,000 of DCMS Grant-in-Aid has been received during the year (2015: £20,501,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:

	2016	2015
	£000	£000
General fund	18,266	18,955
Government grant capital allocation	1,495	1,546
Total GiA	19,761	20,501
Voluntary contributions	227	218
	19,988	20,719

NML also receives Grant-in-Aid from the Border Force. The amount received in 2015/2016 was £247,000 (2014/15 £247,000). No Capital GiA was received from Border Force in 2015/16 (2014/15 £nil). A summary can be seen at note 16.

2a. Donations and grants

£2,912,000 (£3,700,000 2014/15) was recognised during the year; of which only £114,000 (£2,104,000 2014/15) was gifted. The restricted income included the following HLF contributions towards NML's capital programme:-

	2016	2015
	£000	£000
Heritage Lottery Fund	682	389
Other revenue and capital grants and donations	1,869	960
Border Force	247	247
Gifts	114	2,104
	2,912	3,700

3. Net expenditure

Net expenditure before transfers is stated after charging for:

	2016	2015
	£000	£000
Travel and subsistence (including Trustees)	106	135
Hospitality	51	58
Operating lease payments (Ener-G CHP scheme)	530	517
Operating lease payments (Other)	84	85
Consolidated audit fee	47	45
Trading company audit fee	9	9
Depreciation	6,093	5,924

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4. Total expenditure on	Staff Costs £000	Other Costs £000	Depre- ciation £000	2016 Total £000	2015 Total £000
Raising funds	306	30	-	336	348
Charitable activities:					Restated
Care of collections	3,627	538	1,155	5,320	6,198
Care of buildings	951	4,653	4,818	10,422	12,420
Visitor services	3,303	565	20	3,888	4,280
Exhibitions	772	1,222	8	2,002	1,681
Education and research	1,821	262	9	2,092	2,201
Grants to third parties	-	2,440	-	2,440	915
Fees & charges activities of charity staff	206	169	-	375	249
Other trading activities	1,691	1,450	83	3,224	3,119
Total expenditure	12,677	11,329	6,093	30,099	31,411

Governance costs

External audit fees	-	56	-	56	54
Corporate governance	57	-	-	57	55
Internal audit	-	56	-	56	77
Legal advice	-	27	-	27	12
Finance	53	3	-	56	45
	<u>110</u>	<u>142</u>	<u>-</u>	<u>252</u>	<u>243</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	2016 Total	2015 Total
Management	104	37	95	23	51	310	270
Finance (inc Audit)	213	163	196	70	104	746	508
Information systems	195	219	181	82	95	772	768
Office services	13	20	12	7	7	59	61
Human resources	141	82	130	40	69	462	542
	<u>666</u>	<u>521</u>	<u>614</u>	<u>222</u>	<u>326</u>	<u>2,349</u>	<u>2,149</u>

The governance and support costs are contained within the respective charitable activities headings above.
The Museum depreciation is split between Unrestricted £2.736m and Restricted £3.274m.
The unrestricted element counts against NML's non-cash RDEL allocation.

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5. Staff costs During the year staff costs directly associated with the delivery of NML's major capital projects were capitalised; Lady Lever Art Gallery, Museum of Liverpool Steps and Terraces, and North Street. The amount for the year was £371k. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML £000	NML Trading Ltd £000	Total 2016 £000	Total 2015 £000
				Restated
Wages and salaries	8,738	1,578	10,316	11,103
Social security costs	530	75	605	681
Pension costs	<u>1,718</u>	<u>38</u>	<u>1,756</u>	<u>1,684</u>
Staff Costs within expenditure	10,986	1,691	12,677	13,468
Capitalised staff costs	371	-	371	206
Agency staff costs	<u>15</u>	<u>-</u>	<u>15</u>	<u>34</u>
Total staff costs	<u>11,372</u>	<u>1,691</u>	<u>13,063</u>	<u>13,708</u>

The capitalised staff costs related to capital projects include; Basic Pay £291,131 Employers NIC £20,196 and Employers Superannuation costs £59,526. There was an accrual for holiday pay accounted for this year and a prior period adjustment for basic pay, NIC and Superannuation.

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 (Government Actuary's Department) valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionschemes.gov.uk).

For 2015/16, employers' contributions of £1,768,727 were payable to the PCSPS (2014/15: £1,640,335) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015/16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2015-16 there has been revision of salary bands for accruing superannuation liability charges (ASLCs) to four bands in the range of 20 per cent to 24.5 per cent.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2015/16 employers' contributions of £13,496 (2014/15: £18,609) 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 £608, 0.5 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

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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 £38,136 (2014/15; £33,247).

Analysis of Staff Members with annual salaries over £55,000:-

Annual Salary Band	2015/16 Number of FTE	2014/15 Number of FTE
£50,001-£55,000	5	4
£55,001-£60,000	4	2
£60,001-£65,000	0	1
£65,001-£70,000	1	1
£70,001-£75,000	2	2
£105,001-£110,000	0	0
£110,001-£115,000	1	1

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

	Employee Configuration as at 31 March 2016	Employee Configuration as at 31 March 2015
Director's Office (incl Museum Secretary)	5	5
Development and Communications	n/a	46
Collections Management	126	76
Education, Communities & Visitors	219	196
Museum of Liverpool	n/a	43
Human Resources	10	14
Finance, IS & Procurement	34	33
NML Trading Ltd	<u>74</u>	<u>69</u>
	<u>468</u>	<u>482</u>

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

	Employee Configuration as at 31 March 2016	Employee Configuration as at 31 March 2015
Senior Management Team	31	19
Staff on permanent contract	412	442
Staff on fixed term contracts	<u>25</u>	<u>21</u>
Total	<u>468</u>	<u>482</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 14.

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 £17 (2014/15:£447). Three Trustees were reimbursed in 2015/16 (three in 2014/15). Travel and subsistence costs waived by Trustees was not material.

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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-15	13,611	181,601	22,723	27,134	96	245,165	14,104	259,269
Additions in year	-	807	196	2,120	-	3,123	281	3,404
Disposals	-	-	(9)	-	-	(9)	-	(9)
Revaluation	<u>910</u>	<u>(899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
Closing valuation	<u>14,521</u>	<u>181,509</u>	<u>22,910</u>	<u>29,254</u>	<u>96</u>	<u>248,290</u>	<u>14,385</u>	<u>262,675</u>
Depreciation								
Balance as at								
01-Apr-15	-	-	22,342	9,962	96	32,400	-	32,400
Base charge for year	-	3,648	178	2,267	-	6,093	-	6,093
Disposals	-	-	(8)	-	-	(8)	-	(8)
Revaluation	<u>-</u>	<u>(3,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,648)</u>	<u>-</u>	<u>(3,648)</u>
Balance as at								
31-Mar-16	-	-	<u>22,512</u>	<u>12,229</u>	<u>96</u>	<u>34,837</u>	-	<u>34,837</u>
Net book value:								
At 31 March 2016	<u>14,521</u>	<u>181,509</u>	<u>398</u>	<u>17,025</u>	<u>-</u>	<u>213,453</u>	<u>14,385</u>	<u>227,838</u>
At 31 March 2015	<u>13,611</u>	<u>181,601</u>	<u>381</u>	<u>17,172</u>	<u>-</u>	<u>212,765</u>	<u>14,104</u>	<u>226,869</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 2016 was made up of:

	2016	2015
	£000	£000
NML tangible fixed assets	213,235	212,565
NML heritage assets	14,385	14,104
NMLT tangible fixed assets	218	200
	<u>227,838</u>	<u>226,869</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. The historic cost of land and buildings is not known.

NML instructed Deloitte LLP, external 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 a further land and buildings desktop valuation by Deloitte LLP as at 31 March 2016. The valuation complies fully with the RICS Valuation – Professional Standards January 2014 known as the ‘Red Book’.

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

Property	Basis	Land Value 31-Mar-15 £	NBV Bldgs 31-Mar-15 £	Land Value 31-Mar-16 £	NBV Bldgs 31-Mar-16 £
Freehold Properties					
Lady Lever Art Gallery	DRC	380,000	8,100,000	410,000	8,250,000
County Sessions House	DRC	430,000	1,550,000	430,000	1,600,000
The Walker	DRC	1,667,000	18,047,000	2,317,000	17,446,000
World Museum	DRC	3,550,000	68,300,000	3,550,000	68,800,000
Sudley House	DRC	250,000	1,600,000	250,000	1,600,000
Juniper Street	EUV	756,000	3,094,000	756,000	2,994,000
Dale Street	EUV	1,562,500	1,072,500	1,562,500	1,072,500
Maritime Park (Yellow Zone):-					
Great Western Railway (GWR) Building	EUV	132,000	243,000	132,000	243,000
GWR Amenity Land (T7A)	DRC				
Dockmaster's House	EUV	30,000	95,000	30,000	95,000
Canning Docks	DRC	1,300,000	1,800,000	1,300,000	1,700,000
Canning Docks / Pilotage Amenity Land	EUV / MV				
Museum of Lpool Life retained / Pilotage building	EUV	384,000	616,000	384,000	616,000
Maritime Park (Red Zone):-					
Museum of Liverpool	DRC	1,800,000	44,602,000	2,000,000	44,500,000
		12,241,500	149,119,500	13,121,500	148,916,500
Long Leasehold Properties					
Oratory	DRC	65,000	85,000	65,000	85,000
Maritime 'D' Block	DRC	470,000	18,200,000	470,000	18,300,000
Maritime Piermaster's House	DRC	70,000	230,000	70,000	230,000
Piermaster's and Cooperage	DRC	75,000	240,000	75,000	240,000
The Walker (Clayton Stack)	DRC	33,000	153,000	33,000	154,000
National Conservation Centre	DRC	440,000	12,400,000	470,000	12,400,000
Dale Street (11 North St)	EUV	-	65,000	-	75,000
Dock Traffic Office	EUV	217,000	1,108,000	217,000	1,108,000
		1,370,000	32,481,000	1,400,000	32,592,000
Totals		13,611,500	181,600,500	14,521,500	181,508,500

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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	14,521
Freehold buildings	148,917
Long leasehold buildings	<u>32,592</u>
	<u>196,030</u>

Disposals in year

There was £8,609 (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, military 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.

Accreditation

In 2015 eight venues (Museum of Liverpool, Merseyside Maritime Museum, International Slavery Museum, Border Force National Museum, Sudley House, Lady Lever Art Gallery, Walker Art Gallery and World Museum), were granted Accredited status through the Arts Council Accreditation Scheme for Museums and Galleries in the United Kingdom. This national standards scheme assesses museums across the complete range of their activities, including collections management. Applicant organisations must meet the standards set for each area of activity to achieve accreditation.

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.

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.

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On-Balance-Sheet Heritage Assets

	Acquisitions at historic cost	Donated assets at valuation	Total
	£000	£000	£000
At 01.4.2015	2,927	11,177	14,104
Additions	167	114	281
At 31.3.2016	3,094	11,291	14,385

Five year financial summary of heritage asset transactions

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Additions	305	740	485	2,105	281
Purchases	47	7	56	1	167
Donations	258	733	429	2,104	114

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* (approved by the Board of Trustees May 2014). 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 *Collections Development Policy* (approved by the Board of Trustees in May 2014), 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 (4-5 times per year). NML's *Collections Development Policy* was accepted and approved by Arts Council England as part of the institution's application under the Accreditation Scheme.

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's eight venues are Accredited under the Accreditation Scheme, administered by Arts Council England and entry and exit records, acquisition and catalogue records, location and inward and outward loans records are maintained and recorded on NML's collections management software, 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 *Collections Development 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 of facilities for external researchers to examine and study collections, catalogues and other publications, loans to museums and galleries in the UK and abroad, through partnerships with other cultural organisations and collections on-line on NML's website.

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The additions to the collections are made by purchase and by gift. In 2015/16 the major additions were:

	£
Donated Items:	
Anne Archer's algal collection of herbarium specimens and associated notebooks, papers, drawings and negatives – Ms Ann Taylor	8,500
2590 tubes of British soil and water mites – John Frank	12,950
The entire Ian Rutherford insect collection – Cheshire Wildlife Trust	48,755
Cuff links and key to radio room (Lusitania) – Mr Andrew Sloane	6,000
Quilt consisting of squares made from Liverpool Football shirts. Made by Linda Whitefield to commemorate the 25th Anniversary of the Hillsborough disaster – Hillsborough Family Support Group	5,000

	£
Purchases:	
Murillo's oil sketch for the painting of the Virgin and the Child in glory	105,000
Rose Wylie's PV Windows and Floorboards 2014	19,000
Colour photograph of April Ashley MBE by Tim Walker 2010	5,000
Malpas Hoard (Treasure case 2014 T89)	5,500
10 items up for auction at Swann Auction Galleries, New York including <i>Some historical account of Guinea</i> etc by Granville Sharp	10,277

The total value of heritage donated items received during the year was £114k 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 donations are recognised as below.

Donated Items

Donated items 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 donated items is £500.

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7. Income

7a. Income from charitable activities	2016	2015
	£000	£000
Car parking	88	83
Exhibitions	821	401
Proceeds of settlement	325	1,475
Fees & charges activities	413	329
Photography	30	34
Projects income	<u>251</u>	<u>191</u>
	<u>1,928</u>	<u>2,513</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.

	2016	2015
	£000	£000
Interest receivable	59	60
Tomlinson dividend receivable	<u>24</u>	<u>23</u>
	<u>83</u>	<u>83</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 receivables and payables, cash, short-term investments, (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.

Liquidity Risks

In 2015/16, £19.8m (69%) 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	2016	2015
		£000	£000
Trade debtors	10	204	286
Other debtors	10	1,560	2,130
Cash at bank and in hand	per balance sheet	11,083	10,515

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs: £450,040 (2014/15, £350,992)

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 2016	130	33	3	38
As at March 2015	166	30	35	55

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 £70,131 (£34,202 2014/15) 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	2016	2015
		£000	£000
			Restated
Trade creditors	11	1,048	963
Other creditors & accruals	11	1,641	1,982
Provisions	12	-	483
Repayable grants	11	-	-

The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs: £280,366 (2014/15, £255,616 plus £23,111). 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 2015/16 was no more than 0.5%.

Foreign Exchange Risks

NML does not engage in market dealings in respect of foreign currencies and the Trustees are therefore not exposed to any foreign exchange risks. However NML does have a Euro bank account with a small deposit balance. There was a minor cumulative "loss" at year end of £810.

Investment Risk

NML has £0.662m 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 2.3% of total income.

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

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Notes forming part of the financial statements for the year ended 31 March
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9. Trading subsidiary

NML owns all of the issued share capital of NMLT. NMLT is a registered company in England and Wales. The company's principal activities consist of

- Catering and retailing for NML and its visitors;
- Provision of hospitality and corporate events to third party companies and clients;
- Facilitating the needs of the NML visitor by assisting to deliver other services such as events, commercial filming, publishing and membership and
- Assisting the parent body to realise commercial and income generation opportunities.

The Directors of the company during the year were:

- Dr David Fleming OBE;
- Prof. Phil Redmond CBE;
- Mrs Carmel Booth;
- Mr Philip Price;
- Mr Andrew McCluskey;
- Mrs Louise Parnell
- Ms H Lauder (appointed 22 February 2016)

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 2016 and the Company's Balance Sheet are set out below;

Profit and Loss	2016	2015
	£000	£000
Sales	3,781	3,789
Cost of sales	<u>(1,149)</u>	<u>(1,146)</u>
Gross profit	2,632	2,643
Administrative expenses	(2,308)	(2,230)
Other operating income	41	4
Operating profit	365	417
Interest receivable and similar income	3	3
Interest payable and similar charges	<u>(367)</u>	<u>(412)</u>
Profit on ordinary activities before taxation	1	8
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>
Profit for the year	<u>1</u>	<u>8</u>

For tax planning purposes, NMLT Ltd makes an annual gift aid transfer to NML. This year the figure is £358k and is shown in "Interest payable and similar charges" above.

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Balance Sheet	2016	2015
	£000	£000
Fixed assets	218	200
Current assets	1,297	1,092
Current liabilities	<u>(813)</u>	<u>(857)</u>
Net current assets	<u>484</u>	<u>235</u>
Total assets less current liabilities	701	435
Creditors: amounts due after more than one year	<u>(90)</u>	<u>(54)</u>
Total net assets	<u>611</u>	<u>381</u>
Called up share capital	610	380
Profit and loss reserve	<u>1</u>	<u>1</u>
	<u>611</u>	<u>381</u>
<p>The authorised share capital of the company is £610,000 in £1 shares of which 610,000 shares have been allotted, called up and fully paid.</p>		
<p>The reconciliation to the Consolidated Statement of Financial Activities is as follows: -</p>		
	2016	2015
	£000	£000
NMLT income		
Non group income as shown in the Statement of Financial Activities	3,692	3,702
Intergroup sales	<u>133</u>	<u>94</u>
Equals total NMLT Income	<u>3,825</u>	<u>3,796</u>
NMLT costs		
Non group costs as shown in the Statement of Financial Activities	3,224	3,119
Intergroup costs	<u>242</u>	<u>261</u>
	<u>3,466</u>	<u>3,380</u>
	2016	2015
	£000	£000
Amount owed by NML to NMLT	<u>32</u>	<u>9</u>
Amount owed by NMLT to NML	<u>503</u>	<u>620</u>

National Museums & Galleries on Merseyside
Notes forming part of the financial statements for the year ended 31 March
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10. Debtors	2016	2016	2015	2015
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts due from subsidiary	503	-	620	-
Trade debtors	138	204	209	286
Other debtors	1,542	1,560	2,106	2,130
Prepayments	29	37	113	113
Taxation (VAT) recoverable	450	450	351	351
	<u>2,662</u>	<u>2,251</u>	<u>3,399</u>	<u>2,880</u>

The Debtors balance above includes £428,409 by HLF (£225,830 2014/15) and £450,040 owed by HM Revenue & Customs (£350,992 2014/15).

The total for the year is £878,449 (£606,822 2014/15).

There were no further Whole of Government Accounts (WGA) related balances outstanding as at 31 March 2016.

Other debtors also includes an amount regarding cost recovery in relation to a settlement of a dispute with one of our contractors.

11. Creditors	2016	2016	2015	2015
	Museum	Group	Museum	Group
	£000	£000	£000	£000
			Restated	Restated
Amounts falling due within one year:				
Amounts due to subsidiary	32	-	9	-
Trade creditors	974	1,048	916	963
Other creditors and accruals	1,617	1,641	1,880	1,979
Deferred income	139	250	800	800
Taxation and social security	179	280	188	279
	<u>2,941</u>	<u>3,219</u>	<u>3,793</u>	<u>4,021</u>
Amounts falling due after one year:				
Accrual for CHP and finance lease	<u>355</u>	<u>445</u>	<u>391</u>	<u>445</u>

HMRC were owed £280,366 (£278,727 2014/15).

There were no further WGA related balances outstanding.

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12. Provisions	2016	2016	2015	2015
	Museum £000	Group £000	Museum £000	Group £000
Balance brought forward	483	483	3,050	3,050
Provision in year	-	-	483	483
Payments in year	(72)	(72)	(2,649)	(2,649)
Releases in year	<u>(411)</u>	<u>(411)</u>	<u>(401)</u>	<u>(401)</u>
Balance carried forward	:	:	<u>483</u>	<u>483</u>

The original provision represented the voluntary severance constructive obligation that existed at 31 March 2014 plus an amount for a potential legal case. There have been payments made against the provisions in year. The releases in year represent provisions not taken up and moves to accruals.

There were nil staff members who took early retirement in 2015/16, (nil 2014/15).

13. Financial commitments

At 31 March 2016 NML had total commitments under non-cancellable leases as follows:

	2016	2016	2015	2015
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
			Restated	Restated
Operating leases which expire:				
Within one year	54	569	54	567
In the second to fifth year	216	2,379	-	2,348
More than five years	-	<u>3,927</u>	-	<u>4,527</u>
	<u>270</u>	<u>6,875</u>	<u>54</u>	<u>7,442</u>

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 12 th year (£000)
Payment commitments	543	2,313	3,231	696

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The estimated capital value is £3.6m 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 as deferred income against the annual unitary payment due over the duration of the contract, which is 17 years.

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14. Statement of funds	At 1	Income	Expend-	Revalua-	Transfers	At 31
	Apr-15		iture	tions		Mar-16
	£000	£000	£000	£000	£000	£000
	Restated					
Unrestricted funds						
Designated funds						
Collection purchase fund	3	-	-	-	-	3
Collection purchase fund - capital	809	-	-	-	-	809
Border Force admissions (Free)	94	-	-	-	(15)	79
Academic publications (Free)	139	47	(37)	-	6	155
Miscellaneous (Free)	70	1	-	-	-	71
TFA - Capital reserve *	64,828	-	(1,081)	1,767	-	65,514
TFA - Government grant ITF**	620	-	(12)	17	-	625
TFA - Government grant	36,869	1,495	(1,284)	384	-	37,464
TFA - General capital	6,507	-	(274)	97	90	6,420
TFA - NMGM ITF	<u>3,971</u>	<u>-</u>	<u>(85)</u>	<u>74</u>	<u>-</u>	<u>3,960</u>
Total designated funds	113,910	1,543	(2,773)	2,339	81	115,100
General funds (Free)	4,629	24,116	(23,511)	-	(77)	5,157
Total unrestricted funds	<u>118,539</u>	<u>25,659</u>	<u>(26,284)</u>	<u>2,339</u>	<u>4</u>	<u>120,257</u>

* Tangible Fixed Assets ** Into the Future

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 50.

The significant transfer between funds during the year was £90,000 from the General Fund to the General Capital Fund to cover capital spend on Fixtures, Fittings and Equipment.

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.

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 "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 - Government grant

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

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.

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Notes forming part of the financial statements for the year ended 31 March
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	At 1 Apr-15	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-16
	£000	£000	£000	£000	£000	£000
Restricted funds						
Collection purchase fund	13,500	270	-	-	34	13,804
Development fund revenue	2,622	2,650	(537)	-	(2,172)	2,563
Tomlinson fund	204	24	(4)	-	-	224
Share Capital Fund	-	-	-	-	230	230
TFA - Development fund	21,505	-	(726)	262	1,904	22,945
TFA - Tomlinson capital	1,071	-	(104)	4	-	971
TFA - NMGM ITF - Lottery	26,548	-	(713)	559	-	26,394
TFA - Lottery	9,341	-	(700)	1	-	8,642
TFA - ERDF ITF	4,391	-	(88)	103	-	4,406
TFA - ERDF	7,032	-	(314)	46	-	6,764
TFA - Development fund ITF	2,044	-	(40)	41	-	2,045
TFA - NWDA	<u>29,435</u>	-	<u>(589)</u>	<u>305</u>	-	<u>29,151</u>
Total restricted funds	<u>117,693</u>	<u>2,944</u>	<u>(3,815)</u>	<u>1,321</u>	<u>(4)</u>	<u>118,139</u>

The significant transfer between funds during the year was £1,904,000 from the revenue Development Fund to the capital Development Fund to cover capital spend on; the Lady Lever Art Gallery, Museum of Liverpool Steps and Terraces, and the World Museum Ancient Egypt Gallery.

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.

Share Capital fund

for the additional purchase of shares in the wholly owned trading company NML Trading Ltd. The source of the fund is the NML Foundation Trust.

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Tangible fixed asset funds: Restricted

Within this group are:

TFA - NMGM ITF lottery

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

TFA - NMGM ITF ERDF

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

TFA - ERDF

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

TFA - Development fund / Development fund ITF

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

TFA - NWDA

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

TFA - Lottery

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

TFA - Tomlinson fund

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

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

15. Analysis of group net assets between funds

Fund balances at 31 March 2016 are represented by:	Unrestricted Funds £000	Restricted Funds £000	Total £000
Tangible fixed assets	113,633	113,542	227,175
Investments	-	662	662
Net assets (excl fixed assets and cash)	<u>6,624</u>	<u>3,935</u>	<u>10,559</u>
	<u>120,257</u>	<u>118,139</u>	<u>238,396</u>
Unrealised gains included above:			
On tangible fixed assets and investments	<u>2,339</u>	<u>1,321</u>	<u>3,660</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 20 years from October 2014.

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 2015/16 account, which is audited and published separately.

Transactions in respect of the museum are shown within the Restricted Income and Expenditure Funds – Development Fund revenue (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 2015	1,469
Funds received in year	-
Virement from Revenue Grant	-
Total funds received as at 31 March 2016	<u>1,469</u>
Funds applied as at 1 April 2015	(1,469)
Funds applied in year	-
Funds applied as at 31 March 2016	(1,469)
Unapplied capital funding at 31 March 2016	<u>-</u>

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Running Cost Grant-in-Aid **£000**

The funding position for 2015/16 is as follows:

Application of funds

Unapplied funds as at 1 April 2015	-
2015/16 Grant-in-Aid	<u>247</u>
Total Available Grant-in-Aid funds	<u>247</u>
Funds applied to the running of the Museum	<u>(247)</u>
Unapplied funds as at 31 March 2016	<u><u>-</u></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.

The practical management of the estate being delegated to CB Richard Ellis (commercial real estate advisors). This arrangement transferred to Savills UK Limited with effect from 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 £121,283

18.Capital Commitments

NML has two medium sized capital projects, which include the rectification works to the steps and terraces of the Museum of Liverpool and the redevelopment and expansion of the Ancient Egypt galleries within the World Museum. The enabling works for the steps and terraces were completed in April 2016..

Works on the redevelopment and expansion of the Ancient Egypt galleries commenced in October 2015 and the enabling works finished at the end of May 2016. The main works contractor was appointed at the end of May 2016 with plans to be in site shortly after.

The above two projects are the main elements of capital commitments for 2015/16 of £421k.

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19. Cash flow information

Reconciliation of net income / expenditure to net cash inflow from operating activities	2016	2015
	£000	£000
		Restated
Net (income / expenditure)	(1,495)	(656)
Net gain on investments	(1)	(38)
Depreciation (net of disposals)	6,085	5,904
Interest received	(83)	(83)
Gifts	(114)	(2,104)
Decrease /(increase) in stock	12	(21)
Decrease /(increase) in debtors	629	(564)
(Decrease)/increase in creditors	(1,139)	1,345
(Decrease) in provisions	(483)	(2,567)
Net cash inflow from operating activities	<u>3,411</u>	<u>1,216</u>

Reconciliation of net cash flow to movement in net funds

Decrease/ Increase in cash in the period		
Movement in net funds in the period	568	(1,360)
Net funds at 1 April	<u>10,515</u>	<u>11,875</u>
Net funds at 31 March	<u>11,083</u>	<u>10,515</u>

Analysis of net funds

	01-Apr 2015 £000	Cash Flow £000	31-Mar 2016 £000
Cash	<u>10,515</u>	<u>568</u>	<u>11,083</u>

National Museums & Galleries on Merseyside
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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.

Key management personnel are considered to be Trustees and five Directorships described in the Remuneration Report. The key management personnel took no part in any discussion which concerned organisations or bodies that they have connections with as reported in the Register of Members Interests.

Total compensation of key management personnel was £534,869. This includes gross pay, bonus, employers national insurance and employers pension contributions.

During the year none of the key management personnel 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 Audit Office	Laura Carstensen, Senior Adviser, National Audit Office	NML 2015-16 statutory audit		47	47	
Environment Agency	Dr Clive Elphick – Board member	Energy Efficiency Scheme		1		
BBC	Jenny Baxter – Chief Operating Officer for BBC England	5 Digital images from the Stuart Bale Collection	1			
BBC	Joe Godwin – Director of BBC's Children's services	5 Digital images from the Stuart Bale Collection	1			
HLF	Virginia Tandy – Has completed a term as a trustee of HLF	Various grants etc	683			428
University of Liverpool	Phil Redmond-Chair Institute for Cultural Capital	Catered events at NMLT	29			1
	Carmel Booth-Board member University of Liverpool	Catered events at NMLT	16			1
	Carmel Booth-Board member University of Liverpool	Teaching fees	3			1
		Contribution to "Reel Stories" exhibition	5			

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Related Party	Relationship	Transactions	Income for the year	Expenditure for the year	Creditor at 31 March	Debtor at 31 March
			£000	£000	£000	£000
Curious Minds	Virginia Tandy-Chair of group at CM	Catered events at NMLT	1			
Institute for Cultural Capital	Phil Redmond-Chair Institute for Cultural Capital	Catered events at NMLT	5			
Liverpool John Moores University	Phil Redmond-Fellow	Catered events at NMLT	1			

(b) Staff:

Related Party	Relationship	Transactions	Income for the year	Expenditure for the year	Creditor at 31 March	Debtor at 31 March
			£000	£000	£000	£000
European Museum Forum	David Fleming Director		3			
Liverpool City Council	David Fleming Culture & Tourism Select Committee	Slavery Remembrance Day	6			
		MoD Community Covenant Grant re Armed Forces House of Memories Specific Programme	53			
		Payment for House of Memories Buddy Model	33			
Liverpool Hope University	David Fleming Visiting Professor	MA Co-ordinator's post – 1 day a week PB6	2			
		Partnership Agreement for MA delivery & development	14			7
Museums Association	David Fleming President	Subscriptions / Membership fees/ seminars & conferences		3		
	David Fleming President	Catered events at NMLT	6			1

21. Contingent Assets and Liabilities

There are no contingent assets.

NML has been notified of a potential asbestos related claim. No claim has been received prior to signing of the Annual Report and Accounts.

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.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

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 2016	Total 2015
	£000	£000	£000	£000
Incoming Resources:				
Investment income	24	-	24	23
Resources expended:				
Governance costs	(1)	-	(1)	(1)
Charitable Activities	(3)	-	(3)	(3)
Depreciation	-	(101)	(101)	(104)
Net incoming / (Outgoing) resources	<u>20</u>	<u>(101)</u>	<u>(81)</u>	<u>(85)</u>
Gains and losses on sale proceeds	-	(4)	(4)	(4)
Gains and losses on revaluation	-	5	5	52
Net Movement in Funds	<u>20</u>	<u>(100)</u>	<u>(80)</u>	<u>(37)</u>
Fund Balances at 1 April	204	1,071	1,275	1,312
Fund Balances at 31 March	<u>224</u>	<u>971</u>	<u>1,195</u>	<u>1,275</u>

The Trustees have expended £1,157,165 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
Walker Art Gallery Collection Digitisation	13,835
	<u>1,157,165</u>

24. Investments

Year ended 31 March 2016	
Summary	£000s
Carrying value (market value) at beginning of year	679
Add:	
Additions to investments at cost	61
Less:	
Disposals at carrying value	(79)
Add:	
Net Gain on sales and revaluation	<u>1</u>
Carrying value (market value) at end of year	<u>662</u>

The above are all listed on the UK stock exchange.

The investments as at 31 March 2016 are categorised as follows:-

Fixed Interest	£95k
UK Equities	£567k

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 £122,000 (2 transactions) (2014/15 £2,426,245).

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26. First time adoption of Charity SORP (FRS102)

Museum	Note	Balance Sheet as at 31 March 2015 £000's	Balance Sheet as at 31 March 2014 £000's
As previously stated under former Charities SORP 2005;			
Pre prior year adjustment – Balance sheet (Creditors)		(3,429)	(2,683)
As restated under former Charities SORP 2005;			
Accrual for outstanding holiday pay	a.	(364)	(240)
As stated in accordance with FRS102		(3,793)	(2,923)

Consolidated Group	Note	Balance Sheet as at 31 March 2015 £000's	Balance Sheet as at 31 March 2014 £000's
As previously stated under former Charities SORP 2005;			
Pre prior year adjustment – Balance sheet (Creditors)		(3,657)	(3,918)
As restated under former Charities SORP 2005;			
Accrual for outstanding holiday pay	a.	(364)	(240)
As stated in accordance with FRS102		(4,021)	(4,158)

a. Under the new Charity SORP (FRS102) charities must recognise a liability for the cost of all benefits resulting from their services to the charity during the reporting period, unless the costs are capitalised.

Employee benefits include a liability for paid annual leave and paid sick leave where material. The above therefore includes outstanding holiday pay at the balance sheet date for the previous two years. The primary statements and notes have been annotated as “restated” where appropriate. The notes affected are Note 4. Total expenditure, Note 5. Staff costs, Note 8. Financial instruments, Note 11. Creditors, Note 14. Statement of funds and Note 19. Cash flow information.

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27.	Unrestrict	Restrict	Total	Unrestrict	Restrict	Total
Museum Statement of Financial	ed	ed	2016	ed	ed	2015
Activities	funds	funds	£000	funds	funds	£000
Income and endowments from:				Restated		Restated
	£000	£000	£000	£000	£000	£000
Donations, grants and legacies	20,346	2,912	23,258	21,127	3,700	24,827
Charitable activities	2,170	-	2,170	2,774	-	2,774
Other trading activities	-	-	-	-	-	-
Investments	51	32	83	48	35	83
Other	-	-	-	-	-	-
Total	22,567	2,944	25,511	23,949	3,735	27,684
<u>Expenditure on:</u>						
Raising funds	336	-	336	348	-	348
Charitable activities:						
Care of collections	4,472	856	5,328	5,360	844	6,204
Care of buildings	7,759	2,728	10,487	9,698	2,777	12,475
Visitor services	3,788	108	3,896	4,158	127	4,285
Exhibitions	1,955	65	2,020	1,633	55	1,688
Education and research	2,068	58	2,126	2,150	65	2,215
Grants to third parties	2,440	-	2,440	915	-	915
Fees and charges activities of charity staff	375	-	375	249	-	249
Other trading activities	-	-	-	-	-	-
Total	23,193	3,815	27,008	24,511	3,868	28,379
Net gains on investments	-	1	1	-	38	38
Net (expenditure)	(626)	(870)	(1,496)	(562)	(95)	(657)
Transfers between funds	4	(4)	-	-	-	-
Gains on revaluation of fixed assets	2,339	1,320	3,659	6,657	3,919	10,576
Other gains/(losses)	-	-	-	-	-	-
Net movement in funds	1,717	446	2,163	6,095	3,824	9,919
Reconciliation of funds:						
Fund balances brought forward at 1 April	<u>118,538</u>	<u>117,693</u>	<u>236,231</u>	<u>112,443</u>	<u>113,869</u>	<u>226,312</u>
Fund balances carried forward at 31 March	<u>120,255</u>	<u>118,139</u>	<u>238,394</u>	<u>118,538</u>	<u>117,693</u>	<u>236,231</u>

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