

# National Museums and Galleries on Merseyside Annual Report and Accounts 2016-2017

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

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HC171

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

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# **National Museums & Galleries on Merseyside**

## **Annual Report for the year ended 31 March 2017**

### **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 by the Secretary of State for Culture, Media & Sport; 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 documents; Trustee Code of Practice, Managing Public Money, and the Charity Commission Guidance for Charitable Museums and Galleries. 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.

## **National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2017**

The Board of Trustees during the year comprised:

Sir David Henshaw Chairman (appointed 13 February 2017)  
Professor Phil Redmond CBE Chairman (retired 1 January 2017)  
Jenny Baxter (resigned 23 June 2016)  
Carmel Booth  
Laura Carstensen  
Jim Chapman (appointed 1 April 2016)  
Dr Clive Elphick (retired 9 September 2016)  
Heather Lauder  
Andrew McCluskey  
Philip Price  
Ian Rosenblatt OBE (appointed 1 April 2016)  
Virginia Tandy OBE (appointed 1 April 2016)  
Dr Nicola Thorp  
Clive Wilson

### **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 and Staff Report);
- CETV figures for each Executive Director (Remuneration and Staff Report);
- Fair pay disclosures (Remuneration and Staff Report);
- Exit packages (Remuneration and Staff Report); and
- Analysis of staff numbers and costs (Remuneration and Staff Report, and Note 5)

**National Museums & Galleries on Merseyside**  
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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

Lloyds Bank Plc  
Faryners House  
25 Monument Street  
London  
EC3R 8BQ

**Auditors**

**Consolidated Account**

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

**Trading Company**

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

**Solicitors**

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

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

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

## **National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2017**

### **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 (James Best).

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 are 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 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.

### **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. 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.

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2017**

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 since 2010. 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.

Following only limited recruitment of volunteers in recent years NML began recruiting new volunteers during the financial year. This has resulted in NML increasing volunteer numbers to 194 (2015/16 - 151). NML will be continuing to expand 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.



**National Museums & Galleries on Merseyside**  
**Annual Report for the year ended 31 March 2017**

**Director's Statement**

NML is recognised as a world-leading, efficient, effective and influential museum service. We demonstrate the benefits museum activity can have both to diverse local communities and to visitors to the Liverpool City Region (LCR). Our expertise is in huge and growing demand, nationally and internationally. Our commitment to social justice is unwavering, and we are a pivotal part of the social and economic fabric of Liverpool and the surrounding area, as evidenced by the improvement in our visitor numbers.

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, designed for people living with dementia, their families and carers, has gone from strength to strength, supporting more than 11,000 people across the UK. Moreover, we are rolling out *House of Memories* activities overseas, in places as diverse as the USA and Taiwan.

I am also thrilled that we intend to bring the Terracotta Warriors to Liverpool in 2018. This will be the biggest exhibition NML has ever undertaken and we expect to see visitors from far and wide enjoying an incredible display of objects from Xi'an, China.

Nonetheless, tough challenges remain. 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; since 2010 we have lived in a difficult fiscal and economic climate and therefore there have been job losses, and an overall reduction in activity. We were therefore grateful for the Chancellor's Comprehensive Spending Review statement in December 2015 around the importance culture plays to both our society and economy. This has given us a stable platform from which to rebuild and visitor numbers are rising again, thanks to continuing efforts by our staff and Trustees, and a lively programme of activities and exhibitions.

We are reviewing staffing structures to ensure that we are running an affordable museum service that is fit for purpose. We are pursuing a wide variety of opportunities to augment our income from central government through our trading activities, increasing fundraising and commercialisation. Our income generation is more successful than ever.

We can be sure 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 are finding ways of innovating and continuing to deliver a public service that is first class and sustainable. We must remain extrovert and ambitious, committed to providing the best service possible to our audiences.

The end of December 2016 saw the departure of our long-serving Chairman, Professor Phil Redmond CBE, and in February 2017 we recruited a new Chairman, Sir David Henshaw. We look forward to an era characterised by strategic alliance with the LCR.

**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 2016/17, 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 2016/17 were :-

1. Engage with the LCP (Local Cultural Partnership) to develop a 30-year plan for culture, including defining a new role for NML within the Devolution agreement between central government and LCR.
2. To deliver an excellent, socially inclusive, diverse, motivational, entrepreneurial and sustainable museum service.
3. To manage the reduction in scale of NML, while striving to maximise our public impact.
4. To develop new sources of income and increase philanthropic support.
5. To develop appropriate partnerships which offer strategic development opportunities, regionally, nationally and internationally.
6. Ensure NML is a place where people want to come to work.

The key drivers in our achieving these objectives are the need to provide a *basic level of care to our collections*, and to ensure that the public has *continued access to these collections*, through being able to use our museums. These drivers will remain at the core of our efforts in line with our primary purpose.

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

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

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2017**

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.

Our values below are engrained in everything that we do :

- We are an inclusive and democratic museum service; we aim to maximise social impact and educational benefit for all – museums change lives.
- Museums are fundamentally educational in purpose.
- Museums are places for ideas and dialogue that use collections to inspire people; we do not avoid contemporary issues or controversy.
- Museums help promote good citizenship, and act as agents of social change: NML believes in the concept of, and campaigns for, social justice.
- We believe in sustainable development and we have a role to play in the conservation and protection of the built and natural environment.
- We believe in innovation so as to keep our public offer fresh and challenging, while behaving ethically, and working with partners who support our values.

### **Achievements and Performance**

***Objective 1: Engage with the LCP to develop a 30-year plan for culture, including defining a new role for NML within the Devolution agreement between central government and LCR.***

In March 2017 we published a report which demonstrates our **economic and social impact**. The report titled Making a Difference revealed the range of National Museums Liverpool's achievements, demonstrating the economic and social benefits of cultural activity, particularly its contribution to the local visitor economy and the vital role it plays socially across the wider North West region. The report showed that, as the largest cultural organisation in the North West, National Museums Liverpool contributes £53m Gross Value Added to the local economy and supports over 1200 jobs. In addition there is an estimated boost to our local audience's wellbeing worth up to £130m per year, supporting our belief in the power of museums to change people's lives. We also reached 75% (422) of the schools in the Liverpool City Region and we know through established research that museums can have a significant impact on students' overall awareness, confidence and attainment levels. A series of events were organised to communicate the research to stakeholders and staff, and we raised awareness among a wider audience via social media and extensive media coverage in local and business press.

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2017**

Natural Science curators co-ordinated and developed a successful programme of 14 British Wildlife identification workshops, *Natural World*, using World Museum collections and facilities. These training workshops were delivered in collaboration with regional conservation organisations and societies such as the Lancashire Wildlife Trust (Biodiverse Society) and the Liverpool Botanical Society. They are helping to develop environmental recording throughout the region and have covered a broad range of subjects including bees, dragonflies, ferns and marine life.

Mark Adams, the Museum of Liverpool's Curator of Community and Regional Archaeology carried out fieldwork at Mark Rake, Bromborough, in advance of the site's redevelopment for housing. A number of significant finds were made including evidence for Neolithic and Bronze Age settlement and a large fragment of carved Anglo-Saxon sculpture.

The North Liverpool Academy and the Northern Schools Trust were successful in their application to the Liverpool Cultural Education Partnership for funding to pilot a full year group session of 300 students at ISM, Seized, MMM and MOL which will explore issues around migration and identity with the students with a focus on PSHE (Personal Social Health and Economic Education) in line with Liverpool school priorities. Following evaluation this could potentially be offered to other schools, as many similar requests have been received from across both secondary and primary sector.

### ***Objective 2: To deliver an excellent, socially inclusive, diverse, motivational, entrepreneurial and sustainable museum service.***

We welcomed **3 million visitors** during 2016/17. This represents a 7% increase compared to 2015/16, a 14% increase compared to 2014/15, and is 15% up on our target. Visitors included 60,157 more visits by children under 16, and 23,299 more children on school visits. During the year, the diversity of the audience further increased, with the proportion of visitors from lower socioeconomic groups (National Statistics Socio-Economic Classification groups 5-8) increasing from 21% to 26%: an additional 170,627 visits. The proportion of BME visitors increased from 4.5% to 5.7%, an additional 36,399 visits. All the above supports our mission to have a museum service that is inclusive.

*This information relates to the following performance indicators: KPI (1): Visitor numbers; OPI (2): visitor profile; OPI (4): school visits. See page 40 for the full performance indicator outturn report.*

The **House of Memories** dementia training and awareness programme has continued with great success throughout the year. To date, more than 11,000 museum, health and social care workers, have accessed the training and education resource. The *My House of Memories* app has received more than 8,000 downloads and new content has been added representing Irish and Afro-Caribbean heritage. The ambition to reach every care setting across the UK is beginning to be realised, and House of Memories was recognised by the UK Health sector 2017 Dementia Innovation award (Living Well Category). International development in the USA is underway with the Minnesota Historical Society, and interest has been received from museum and heritage partners in Singapore, Japan and Taiwan.

Our **Egypt Gallery** closed to the public late 2015, to undergo a large redevelopment project, trebling the size of the gallery from 300 square metres to 1,000 square metres, creating the largest Ancient Egypt display outside of London. The new gallery contains around 1,000 key objects, many which have not been on public display before. The gallery takes our visitors on a journey of the history of Egypt, presenting seven themes: 5,000 Years, Collection Highlights, River Nile, People of Egypt, African Kingdoms, Afterlife, and the Mummy Room. The new Egypt Gallery was opened to the public on 28 April 2017.

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In December 2016 it was announced by the Secretary of State for Culture, Media and Sport, Rt Hon Karen Bradley MP the intention to bring the **Terracotta Warriors** to World Museum. During her visit to the First Emperor's burial site and tomb complex near Xi'an, the Secretary of State said: 'I am delighted that a selection of the warriors will be coming to Liverpool. The exhibition will encourage an ongoing cultural exchange between China and Britain, further progressing the relationship between our two nations and strengthening lasting ties.'

We acquired a significant collection of classical sculptures from **Castle Howard**. This collection was accepted in lieu of Inheritance Tax by H M Government from the Trustees of Baron Howard of Henderskelfe's Will Trust and allocated to National Museums and Galleries on Merseyside [Liverpool] for display in situ at Castle Howard, 2017. The internationally important heritage assets comprise 64 pieces, dating from 1st-4th century AD and include urns, busts, statues and their original plinths and pedestals. This adds to our collection of 26 classical sculptures from Castle Howard which we acquired in 2003 under a similar arrangement. The sculptures have been loaned by NML to Castle Howard and will remain in situ at Castle Howard on public display.

The Museum of Liverpool's recent exhibition *Poppies: Women and War* directly inspired the National Assembly of Wales and Wales for Peace to create their own exhibition exploring the past and present role of Welsh women in war and peace, due to open in Cardiff during summer 2017.

The Museum of Liverpool held an event on 20 November to mark the Transgender Day of Remembrance. The event included a minute's silence and floral wreath laying to remember all those who had been murdered or taken their own lives because of transphobia during the past year.

In line with the defined audience and collections development growth strategy for the Museum of Liverpool, the Education and Curatorial teams hosted 'Outing the Past' - the third national festival of LGBT history. Following a civic launch event on Friday evening, where we hosted 'Stuart Milk in Conversation' at the Dr Martin Luther King, Jr Building, there was a public conference at the Museum, which was well received and attended. Stuart Milk is an international LGBT rights campaigner and co-founder of the Harvey Milk Foundation. In March a dedicated schools programme began, including Stuart Milk masterclasses targeting schools linked to the Liverpool Schools Parliament.

To mark Dr Martin Luther King, Jr Day on 15 January, the Hip-Hop artist KRS-One gave a lecture and workshop in the Dr Martin Luther King, Jr Building about Dr King's impact on the creation of Hip Hop. The event was part of ISM's community engagement programme.

This year's membership events included a reception for 70 guests at World Museum in November. Ashley Cooke, Senior Curator of Antiquities gave a presentation on the *Animal Mummies* exhibition. In January, we held two well-attended events for the *Victorian Treasures* exhibition at the Walker Art Gallery. A total of 175 members saw the exhibition before it opened to the public the following day, and heard Sandra Penketh, Director of Art Galleries, and co-curator Christopher Newall speak about the exhibition.

NML Paintings Conservation has embarked on a 10 month project to clean, conserve and research *'Madonna and Child in Glory'* and its associated oil sketch study, both by the Spanish 17<sup>th</sup> century artist Murillo. The main altarpiece is one of the highlights of the Walker Art Gallery's fine art collection. The project has been generously supported by a grant from the Art Fund

Following a full review of IT security, NML was awarded a Cyber Essentials Certification.

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This provides independent assurance that NML has the relevant protections for IT systems and information. Cyber Essentials is a government-backed mandatory cyber security certification scheme addressing five key controls that, when implemented correctly, can prevent 80% of cyber attacks.

There were infrastructure improvements to World Museum to both increase efficiency and sustainability and also to enable the new Ancient Egypt Gallery. Works included replacing a servicing infrastructure remaining from the 1960s with improved HVAC, security and electrical systems. These will benefit the whole of World Museum as well as ensuring good conditions for both collections and visitors in the new gallery.

The Museum of Liverpool was closed to the public from 31 December 2016 to 19 February 2017. The closure was to allow for the replacement of the ceiling system. The detailed planning and collaborative approach between NML staff and the contractor ensured that the project was completed on time and within budget, with no detriment to our collections.

Also at the Museum of Liverpool works continue on site to complete the external steps and terraces with a view to bringing them into public use during 2017. These and the ceiling works have been funded through the awards made under the successful High Court action and we look forward to seeing the building completed at last.

For a full list of exhibitions which opened in 2016/17, please see page 17

### ***Objective 3: To manage the reduction in scale of NML, while striving to maximise our public impact.***

We achieved a total of 4,374 separate mentions in the media relating to NML and our exhibitions and the total estimated advertising value of NML media coverage was £6.8m. NML now has 95,192 Twitter followers to date, across its 11 accounts. Facebook 'likes' stand at 72,454. We have 3,811 Instagram followers to our established account at the Walker Art Gallery and the new Museum of Liverpool account.

We had 2,129,132 visits to the website during 2016/17. This is a 2% decrease on last year. New collections digitised included seven new themes for the LGBT collections area of the site, as part of the Pride and Prejudice project, with hundreds of new objects; the Liverpool Overhead Railway; gay fashion icons; the African JC Harrison collection; the *Sankofa* project (NML's Black Histories online collection); and the Ince Blundell collection. New videos were produced for the Ancient Egypt and Ince Blundell collection, Animal Mummies exhibition, Victorian Treasures-Rossetti, and Talk Tuesday artist videos. Themed playlists were published on YouTube, including "Spotlight on", "Liverpool history", "My favourite thing" and "Behind the scenes". *This information relates to the following performance indicator: OPI (1): website visits]*

In preparation for the introduction of charges to facilitated schools sessions, the website has been updated and a new Welcome Centre and lunchroom created at World Museum. From February schools were able to book three charged-for sessions themed on ancient Egypt at World Museum, which has been available since May 2017 following the opening of a new ancient Egypt gallery. The facilitated Egypt sessions are a pilot, which will be evaluated during the summer term to inform future programmes.

In January more than 1,200 visitors met scientists from Liverpool University in an event called *Brainiacs* to find out what really goes on inside our heads, what can go wrong and how it might be fixed. Children got to dress up as mini surgeons and perform 'operations' on jelly brains. The Live Centres team ran an exciting popular event at half term about bioluminescence and involving circus skills.

## **National Museums & Galleries on Merseyside**

### **Annual Report for the year ended 31 March 2017**

World Museum has been successful in its bid to host two 'Natural Talent' Trainee posts, each for a period of one year, in collaboration with the Lancashire Wildlife Trust. 'Natural Talent' is administered by the Trust for Conservation Volunteers and is funded by the Esmée Fairbairn Foundation. The first Trainee will be working on the fauna of intertidal mudflats, a very biodiverse but poorly understood and perceived habitat of international significance.

Improvements in procurement processes are starting to support significant savings for NML. Two of our largest contracts have been renegotiated in the year each delivering savings. In addition from April 2017, all potential suppliers that tender for contracts with NML will have to sign a declaration that they adhere to ethical and sustainable procurement practices including the Modern Slavery Act 2015.

#### ***Objective 4: To develop new sources of income and increase philanthropic support.***

The World Museum has undergone a **redevelopment of the retail, catering, events and education spaces** on the ground floor. The project will benefit the visitor greatly by creating an experience which is much enhanced on the offer previously in place. This will enable the museum to engage with a greater number of visitors, increase income, improve facilities and drive operational efficiencies. Parts of the museum previously inaccessible by the general public have now been brought into the public offer for visitors to enjoy. It has created a new events space for corporate clients and family celebrations, along with a new welcome centre for school groups and community activities.

Corporate events to third parties continue to be a key area of revenue for the organisation. The corporate clients are from many diverse industries and work with NML to deliver their corporate agenda. Company's such as KPMG, Burberry, Hill Dickinson, Shop Direct, Premier League, Investec, Bibby Line, Cabinet Office & City of London to name but a few work with NML on a regular basis. NML have a dedicated in-house events team which uniquely creates a direct relationship to the organisation and builds sustainable partnerships.

The County Sessions House court rooms have continued to prove popular as a location set with TV companies. This included the BBC Agatha Christie crime drama *Witness for the Prosecution*, which was aired in December 2016, and a pilot for a revival of the series *Crown Court* on ITV. A series of minor improvements, which have been financed by the income from the TV companies, have been carried out on the building to facilitate its use for filming.

During 2016/17, 40% of NML's income was self-generated, amounting to £13m.

This includes working with Castle Howard to secure the transfer of title to NML of a number of significant collection items.

During the year income generation activities include the successful Pre Raphaelites exhibition and charging for the Planetarium. Plans are also in place to pilot the charging of schools for facilitated visits from May 2017.

Donation boxes generated £223k, an increase of 5% compared with the same period in 2015/16.

NML continued to raise significant funds from Trusts, Foundations, and individual donors. Total fundraising recognised in the financial statements in 2016/17 was £3.1m – this is included in the self generated income of £13m. Significant fundraising achievements

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included:

- Funding for five years has been secured from the Tanyptera Trust to support an Entomology Advisory Post based at World Museum. The post-holder will work closely with government conservation agencies, wildlife trusts and environmental charities, local authority planning departments, universities, natural history societies and individual natural scientists in order to build a body of detailed information. This will inform and inspire future invertebrate conservation management in our region
- We were successful in applying for funding from DCMS Wolfson Museums and Galleries Improvement Fund towards the Sea Galleries refurbishment at the Merseyside Maritime Museum.
- The Heritage Lottery Fund awarded a first round development grant for *Galkoff's and the Secret Life of Pembroke Place*.
- The late Mr Raymond Holdman has kindly left a legacy to Walker Art Gallery.

### NML Trading Ltd

For 2016/17, overall turnover was £3.7m. Retail, Events and Company Services all had significant improvement on the previous year. All commercial services are in-house; this is a purposeful decision as it ensures that the commercial team are working to the overarching missions and aims of the organisation whilst achieving profit targets.

The redevelopment works in **World Museum** are 90% complete with the shop, kitchen, stores offices are all in operation. The café will reopen in April in time for the reopening of the Egypt gallery. In 2017/18, work to reintroduce the Richard Foster Wing to public use will begin, bringing additional capacity to the café by creating a quiet space with soft seating, enhancing the visitor experience and enabling the museum to generate more income. This work will contribute to the improvement program happening at World Museum in readiness for the Terracotta Warriors in 2018.

A rebrand of Catering has begun to elevate the excellent food offer prepared by the in-house kitchen brigade. The Retail rebrand also began to refresh the sites and remind visitors of the excellent products they can purchase to remind them of their visit.

This year's John Moores Painting Prize exhibition was the most commercially successful to date with excellent feedback from artists and buyers.

During November and December the events division worked with Culture Liverpool and Castle Galleries to host the augmented reality exhibition 'The Danger Tree', by Scarlett Raven and Marc Marot, which coincided with the 100 year anniversary of the end of the Battle of the Somme. The exhibition was created as an installation within the ground floor of the Martin Luther King Jnr Building (MLK).

*Information in this section relates to the following performance indicators: KPI (2): charitable giving and donated assets; OPI (7): admissions income and OPI (8): Trading income as shown on p40.*

***Objective 5: To develop appropriate partnerships which offer strategic development opportunities, regionally, nationally and internationally.***

The **Arts Council Collection National Partners Programme** (ACC NPP) exhibitions *Kaput: Benedict Drew* and *Looking North* at the Walker Art Gallery have been attended by



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57,438 visitors. The conversion rate has been high at 71% of threshold visits and the displays have exceeded the target of 35,000 visits. The installation Zoologic, which features works by Turner Prize-winning artist Mark Leckey, was also extremely popular, and has been seen by over 115,443 people visiting the gallery during the period. The Walker's ACC NPP engagement programme aimed at diverse audiences has reached 3,439 visitors through these first exhibitions alone, exceeding the project target of 2,750. The associated schools programme has engaged with 600 pupils and teachers as part of ACC NPP specific school sessions.

In August 2016, National Museums Liverpool was one of four partners to deliver a subject specific course for the British Council International Museum Academy UK. The week-long course focused on audience engagement with the aim to develop an understanding of how to identify and more deeply engage with audiences. Participants came from China, Singapore, Turkey, Colombia and the UK.

NML staff delivered tours and seminar sessions for students from Leicester University's Museum Studies postgraduate course for their *Designing for Creatives Lives* module; for Fine Art and Art History students from Liverpool John Moores University (LJMU) and for Liverpool Hope University students. The Art Galleries team also worked with LJMU on the Art Rush project, supporting the engagement of first year students with the Walker Art Gallery.

House of Memories was the focus of a keynote presentation at the Age Friendly Museums Network in Scotland Seminar, Glasgow. Carol Rogers, Executive Director Education and Visitors, took part in a panel discussing age-friendly thinking and practice at the British Museum's Age Friendly Museums Network Conference.

House of Memories has developed a range of new resources as part of Phase 2 developments. A new website launched in April 2017 provides easy access to information on dementia, sources of support, as well as information on National Museums Liverpool and House of Memories activities such as training, the *My House of Memories* app, memory walks and the memory suitcase loan service. A key element of the website is the development of an online shop, which will sell a range of memorabilia products and memory boxes, themed around the 1940s, 50s and 60s. Other Phase 2 developments include a Pathfinder project to investigate hospitals' operational requirements to cascade training to staff in acute healthcare settings, and the development of African Caribbean and Irish community packages in the *My House of Memories* app.

A national programme of House of Memories Family Carers workshops (formerly called Buddy Days), were delivered in partnership with Salford Museums, Leicester Museums, and the British Museum. *House of Memories* developed new film-based resources during the project, which completed the suite of films for Family Carers. Further workshops will be delivered in the Museum of Liverpool during 2017/18.

Steve Newman, NML's Metals Conservator, has joined the Church of England Cathedrals and Church Buildings Division's Sculpture and Furnishings Committee, providing expert advice on matters relating to the treatment and care of metals and helping to review applications for the conservation and restoration of Church furnishings and artefacts.

Richard Benjamin, Head of the International Slavery Museum, chaired a meeting in Liverpool in January with representatives of the Global Curators Project. This is an international network of museums and research institutions who are developing a collaborative exhibition and project on transatlantic slavery, which included Professor Anthony Bogues - Director, Center for the Study of Slavery & Justice at Brown University and Nancy Bercaw - Curator, National Museum of African American History and Culture.

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Richard Benjamin, Janet Dugdale, Director of Museum of Liverpool & Merseyside Maritime Museum and Jean-Francois Manicom – Acting Curator of the International Slavery Museum, have worked with Anti-Slavery International (ASI), the world's oldest human rights organisation, to progress the project for ISM to become the national depository for their extensive library and archives located in their London HQ. After some intensive planning, the ASI archive, library and object collection arrived at NML in February.

In February, NML facilitated a visit to Liverpool from Monica Fein, Mayor of the city of Rosario in Argentina. Mayor Fein visited the International Slavery Museum and met with Liverpool's Mayor, Joe Anderson, to sign a concord agreement between the two cities. The agreement is based on a combined commitment to human rights through the work of the International Slavery Museum in Liverpool and the Museum for International Democracy, led by the Fundación para la Democracia Internacional, in Rosario. NML has been providing expert advice on the development of the Museum for International Democracy since 2013 and supports the Foundation's work on campaigning against modern slavery.

The Museum of Liverpool is a member of the Merseyside Veterans Partnership. The new partnership aims to provide more joined up and efficient support services for veterans in Merseyside. The Curator of Urban and Military History attended an event for 156 Squadron in December with the Armed Forces Suitcases. A number of veterans were engaged who had served in action from Korea through to Iraq.

In November and December, the Museum of Liverpool hosted a series of events for the annual disability arts festival DaDaFest International 2016. This series of partnership events included the Rushton Social Justice Lecture, tours of the collections to uncover hidden histories and the DaDaFest International Congress which opened with an opening address by the Director, Dr David Fleming. The Museum of Liverpool also took part in a citywide DaDaFest trail through the display of loan sculptures Falling Figurines by Faith Bebbington in the People's Republic gallery.

### ***Objective 6: Ensure NML is a place where people want to come to work.***

Ensuring that we offer a place where people want to come to work means that we aim to provide an environment that maximises engagement, productivity and creativity. We have undertaken a major review of colleague engagement across the organisation and identified areas of focus for making positive changes. This has led to the development and launch of THRIVE, our cultural change programme. THRIVE responds to the key themes we have identified and includes initiatives in the areas of Team, High Performance, Recognition, Interaction, Values and Engagement. We understand that cultural change doesn't happen overnight, but the THRIVE action plan demonstrates our commitment to an ongoing process of positive change.

Since the reintroduction of NML's volunteer programme in June 2016 our volunteer numbers have increased by 28%, with volunteer opportunities increasing further. Key projects include: Education volunteers at Lady Lever Art Gallery, front and back of house opportunities in the World Museum Aquarium, supporting the Galkoff project, recruiting new members for our award winning programme of tour guides on the pilot cutter Edmond Gardner and curatorial opportunities across many of our collection areas.

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### **Exhibitions**

The following exhibitions opened during the year:

International Slavery Museum, *Afro Supa Hero*:

Celebrating the importance of role models and icons in combating the legacies of racism and discrimination, this exhibition provided a snapshot of a childhood journey to adulthood, shown through artist Jon Daniel's personal collection of pop cultural heroes and heroines of the African diaspora.

Museum of Liverpool, *First World War: Charity and Liverpool's Home Front*:

This exhibition explored the work of some of the charitable organisations formed during the First World War, who gave much needed assistance to returning soldiers and their families.

Lady Lever Art Gallery, *Picasso Linocuts from the British Museum*:

A bold and colourful exhibition which featured works acquired by the British Museum with support from the Art Fund, that are counted among Picasso's most important works in linocut. On display outside the British Museum for the first time, this was the Lady Lever Art Gallery's most popular exhibition to date, attracting more than 87,000 visitors.

Walker Art Gallery, *John Moores Painting Prize*, 9 July to 27 November 2016:

The longest-established prize for artists working with the medium of paint, the exhibition is selected by an esteemed panel of judges. The *John Moores Painting Prize* is part of the Liverpool Biennial, and this year the exhibition attracted a record-breaking 70,000 visitors.

Merseyside Maritime Museum, *In Safe Hands: the story of the Liverpool Pilots*:

2016 marked the 250 year anniversary of the Liverpool Pilot Service and the exhibition highlights dramatic examples where pilots' judgement and bravery has saved lives and cargo from disaster.

World Museum, *Animal Mummies Revealed*:

A fascinating exhibition exploring ancient Egyptian animal mummies, prepared in their millions as offerings to the gods. 139,000 people visited the exhibition, exceeding the target by 24%.

Walker Art Gallery, *ZOOLOGIC by Mark Leckey; Benedict Drew: KAPUT*.

As an Arts Council Collection National Partner we are curating and hosting a series of exhibitions and displays from the Collection. The exhibitions include important, often early, work by influential British artists from the mid-twentieth century to the present day. These were the first three of what promises to be a dynamic series of exhibitions, accompanied by a programme of educational events and activities.

International Slavery Museum, *Art of Solidarity: Cuban posters for African liberation 1967-*

*1989*. Featuring 32 rarely-seen posters from a private collection, the exhibition highlights some of the liberation and independence movements that swept through Africa after the Second World War. The posters were produced in Cuba as a form of social and political resistance by the Organisation in Solidarity with the People of Africa, Asia, and Latin America (OSPAAAL) in support of freedom movements around the world.

Lady Lever Art Gallery, *Fresh Perspectives*

The exhibition features a diverse selection of works including paintings, 3D exhibits, textiles and digital images. The pieces have been created by GCSE and A-level students from four Wirral schools. It is the third time that the exhibition - which runs biennially - has been held at the Lady Lever Art Gallery, showcasing the breadth of creative talent held by young people in

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Wirral.

Walker Art Gallery, *Victorian Treasures*.

This exhibition brings together more than 60 outstanding Victorian paintings and watercolours from the art collections of National Museums Liverpool. It explores the work of leading 19<sup>th</sup>-century classical artists such as Frederic Leighton, Lawrence Alma-Tadema and Edward John Poynter and showcases work from pioneering Pre-Raphaelite artists including John Everett Millais, Dante Gabriel Rossetti and William Holman Hunt. This hugely popular exhibition toured four major cities in Japan during 2015 and 2016 and was seen by more than 150,000 visitors.

Walker Art Gallery, *Transparency*.

This exhibition shows how artists in the past and present have used transparent materials, forms and ideas to explore how we see and experience the world. *Transparency* features sculpture, painting, photography and video by artists including Wolfgang Tillmans, Camilla Løw, Emily Speed, Christine Borland and Damien Hirst. Originally conceived by Yorkshire Sculpture Park and displayed there in 2016, the exhibition has been specially adapted for the Walker Art Gallery and features additional artworks and resources.

Sudley House, *Transformations: one man's cross-dressing wardrobe*.

A ground-breaking display featuring 21 garments from the late Peter Farrer's historic and modern collection of cross-dressing clothes. Peter's interest in women's period costume led him to collect extensively, over the years accumulating a huge number of garments, particularly evening dresses made between the 1930s and 1980s.

### **Fundraising Approach**

Fundraising is led by NML Trustees, Executive Team, Senior Management and the Development Office. The Development Office supports the fundraising function across the organisation and raises income from Public Sector, Trusts and Foundations, Corporates and Individuals, (including major donors, public appeals, donation boxes, legacies and NML's Patrons' Scheme and Membership Scheme).

We have engaged the services of a professional fundraiser, Martin Kaufman of Martin Kaufman Philanthropy. Martin has been commissioned to lead the fundraising campaign for our major exhibition in 2018, *China's First Emperor and the Terracotta Warriors*. To ensure his effective approach and ongoing compliance with the Code of Fundraising Practice our professional fundraiser for *China's First Emperor and the Terracotta Warriors* exhibition is monitored through direct reports to, NML's Executive Director of Collections and Estate, NML Executive Team and NML Trustees, including a Trustee Fundraising Working Group.

NML and Martin Kaufman abide by the Fundraising Regulator's Code of Fundraising Practice.

NML is ensuring compliance with the Code of Fundraising Practice and is closely monitoring any changes, developments and outcomes of on-going consultation.

NML follows the Fundraising Regulator's Code of Fundraising Practice and the Data Protection Act 1998. We do not make unreasonably persistent approaches for donations or apply undue pressure to give to the organisation. We record contact we have had with individuals so that we can assess this before making further contact, thereby ensuring there is no intrusion on a person's privacy. If we have perceived that a person may be vulnerable we do not approach them for any fundraising activities. We use a sensitive and common

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sense approach to fundraising, treating our donors fairly and making sure they can make informed decisions about donations. In addition, neither NML, nor anyone acting on our behalf, has received any complaints regarding fundraising.

### **Plans for Future Periods**

Our strategic objectives remain in line with those of 2016/17 and we will continue to reshape and reorganise our service to ensure NML is healthy and fit for the future with a particular focus on financial sustainability due to the uncertain economic outlook for the UK. At the same time we want to remain ambitious and innovative ensuring we deliver social and economic value to our region and beyond.

Key plans include

1. Develop the International Slavery Museum and create a centre for the promotion and study of human rights.
2. Publicise and build upon the House of Memories model to explore wider engagement and ensure that we maintain its high profile with the public, health providers, carers, stakeholders and funders.
3. Develop and open the Terracotta Warriors exhibition, maximising opportunities for advocacy, earned income, and raising NML's profile as the national museum in the North.
4. Ensure that NML is at the centre of the 2018 Tenth Anniversary of Liverpool – European Capital of Culture celebrations.
5. Implement Year Three of the 2015-20 Capital Strategy, which includes a programme relating to Estate Rationalisation. A formal study will be undertaken to help plan spaces and facilities and increase efficiency of staff, storage and public facilities. We will investigate the possibility of disposing of ancillary buildings, or finding alternative income generating uses for them.
6. Expand our fundraising efforts, including recruiting a Director of Development, to secure corporate and private sector support, and implement a fundraising strategy, aligned closely to the capital programme, House of Memories, exhibitions programme and other strategic priorities.
7. Review our curriculum programme for schoolchildren to develop education activity and resources that align with the evolving national curriculum at World Museum and roll out charging for facilitated school visits.
8. Begin the DCMS/Wolfson-funded Sea Galleries at MMM as the first phase of the Museum's refurbishment plan and work closely with NMLT in planning new galleries so that future phases of work enhance commercial opportunities.
9. Raise NML's profile with local and regional politicians, public sector providers (e.g. NHS), businesses and strategic agencies by demonstrating our impact and value to the region.
10. Ensure the full potential of Museum of Liverpool as the world's leading city history museum, so that it fulfils its role as the core museum and community heritage hub for Liverpool City Region.

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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 (GiA). For the year NML received revenue GiA funding of £18.3m (£18.3m 2015/16).

The consolidated revenue free funds are shown on page 24. The surplus for the year was £0.6m resulting in a total revenue free fund balance of £6.0m as at 31 March 2017.

Net expenditure, before transfers and gross indexation of tangible fixed assets for the year, showed a surplus of £4.0m. The unrealised surplus on revaluation of land and buildings as at 31 March 2017 produced a gain of £11.650m. A revaluation of investments produced a surplus of £41k resulting in a total increase in revaluation funds of £11.691m.

We commissioned a full valuation of our estate in 2016/17 in line with our accounting policy. The valuation took account of plant and machinery normally associated with the valuation of land and buildings. There were items of such plant and machinery separately capitalised under 'permanent galleries' which resulted in a double counting of these assets. It was established that this practice had also been historic hence a prior year adjustment was required to adjust this and the 2015/16 Annual Report and Accounts has been restated. In addition a revaluation reserve has been added on the face of the Balance Sheet. The restatements are shown in note 27.

#### **Reserves Policy**

The consolidated free income revenue reserve available at 31 March 2017 was £6.0m (£5.5m 2015/16). This is inclusive of designated funds of £1.2m, (£0.3m 2015/16) and the general fund £4.8m (£5.2m 2015/16). The General fund includes £0.3m (£0.2m 2015/16) which is the fixed asset representation of the subsidiary trading company. The resulting free income revenue reserve representation is £4.6m (£5.0m 2015/16).

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 (GiA) to manage uncertainty.

NML has an inherent financial uncertainty as 60% of our income is from GiA and the remaining income streams are less predictable and more volatile. In addition there are financial risks associated with capital projects and unforeseen liabilities, for example within our deteriorating estate.

Further to this, the current economic and political climate has significant uncertainties. In particular

- the uncertain impact of the EU referendum vote to leave the EU,
- the unknown longer term impact of devolution for NML within Liverpool City Region,
- central Government's commitment to reduce the deficit.

Hence potential reductions in funding remain a significant risk and adequate free reserves need to be held to ensure NML can manage these uncertainties.

The Trustees therefore remain committed to holding free fund reserves of between one and three months (£1.7m - £5.0m) equivalent Grant-in-Aid.

The Trustees have determined that the current level of reserves remains adequate in respect

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of 2017-18 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.

In the year the Trustees have designated £1.0m to an NML special projects fund. This is a fund held for projects planned over the next few years which can include major capital works, exhibitions, research and educational projects.

### **Capital Programme**

The main projects have been the redevelopment of the Egypt Gallery, the significantly improved catering, retail and events facilities in World Museum and the rectification of the steps, terraces and ceilings at the Museum of Liverpool that were funded through the awards made under the successful High Court action.

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 Deloitte to carry out a full "red book" valuation of its land and buildings, as at 31 March 2017.

NML holds an unapplied receipt from the disposal of a property within its capital reserve account of £0.2m in respect of 63/65 Blundell Street, Liverpool. Application consents were received from DCMS in March 2002 so that NML could keep this receipt.

### **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 2016/17 NMLT made an operating profit of £155k, £75k 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 "*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

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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 ceased.

### **Grants**

The Board of Trustees of NML has made grants to the NML Foundation of £0m (2015/16 £2.3m) in support of its charitable objectives. Including the grant to Speke Hall the total amount of grants made in the financial year was £0m (2015/16 £2.4m).

### **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 2016/17 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 2016/17 88% (2015/16 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 2016/17, £20.1m (60%) 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 evolve following the Mayoral election in May 2017.

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.



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**Donations made**

There were no charitable donations, or political donations paid during the financial year 2016/17.

**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 quarterly 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.

The Trustees manage the investment portfolio biannually through the Finance Committee. They consider the level of risk of the portfolio, the social and ethical policy for investments, the portfolio performance and the balance of investments in the light of liquidity requirements. Annually the investment manager, Rathbones, present a report to the committee demonstrating the performance of the investments against the market, recommendations for review and market conditions.

**Investment income**

The reported minor movement 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 2016/17**

<b><u>Income and endowments from:</u></b>	<b>2017</b>	2016
	<b>£000</b>	£000
Grant-in-Aid DCMS	<b>18,266</b>	18,266
Donations and legacies	<b>250</b>	227
Charitable activities	<b>508</b>	1,928
Other trading activities	<b>3,598</b>	3,692
Investment income	<b>39</b>	51
Other	-	-
<b>Total</b>	<b>22,661</b>	24,164
<b><u>Expenditure on:</u></b>		
Raising funds	<b>336</b>	336
Charitable activities;		
Operating expenditure (excluding depreciation)	<b>18,309</b>	17,173
Grants to third parties	-	2,440
Fees & charges activities of charity staff	<b>149</b>	375
Other trading activities	<b>3,289</b>	3,224
<b>Total</b>	<b>22,083</b>	23,548
<b>Net gains (losses) on investments</b>	-	-
<b>Net income/(expenditure)</b>	<b>578</b>	616
<b>Transfers between funds</b>	-	(86)
<b>Net movement in funds</b>	<b>578</b>	530
Balance brought forward at 1 April	<b>5,465</b>	4,935
Balance carried forward at 31 March	<b>6,043</b>	5,465
The balance on free income funds comprised:	<b>2017</b>	2016
	<b>£000</b>	£000
Collection Purchase Fund	<b>3</b>	3
Border Force admissions	<b>74</b>	79
Academic publications	<b>187</b>	155
Special Projects	<b>950</b>	71
General funds	<b>4,829</b>	5,157
Balance at 31 March	<b>6,043</b>	5,465

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd £274k (£218k 2015/16) is contained within the General funds balance. The full NMLT representation within the total funds is £684k (£611k 2015/16).

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**Audit**

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2016/17. The audit fee in respect of this work was £45k. BWMacfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £6k plus £4k for the production of the financial statements. 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**

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. Since 2011 NML have worked in line with the Government's Sustainable Development in Government SDiG, guidelines and created and adopted a policy on this basis. [www.liverpoolmuseums.org.uk/sustainability/](http://www.liverpoolmuseums.org.uk/sustainability/)

NML continues to invest, year on year, in replacing its utilities, with more efficient and effective heating, lighting, and cooling systems. In this reporting year, we have started a programme of changing our heavy usage pumps and motors to modern variable speed units, we have continued with our programme of replacing lighting systems with LED technology with intelligent controls, and completed the installations of water saving urinals and washbasins, throughout the Merseyside Maritime Museum.

Our Museum of Liverpool (MoL) runs on a tri-generation state of the art, combined heating and power (CHP) plant, using only self-generated electricity for 12 hours a day, with surplus electrical power being sold on through the national grid, This CHP system also feeds the Edmund Gardner and the Pilotage building with heat and electrical power. We are currently investigating ways to increase this export with our energy partner Ener-G, to meet the demands of the local networks in times of peak demand. Also we are in initial discussion with Liverpool City Council, to create a district heating network across the waterfront, possibly absorbing the excess heat capacity created by our generators. Water usage is kept to a minimum in the MoL with the use of a rain water harvesting system, which supplies 'grey' water to the museum's toilets.

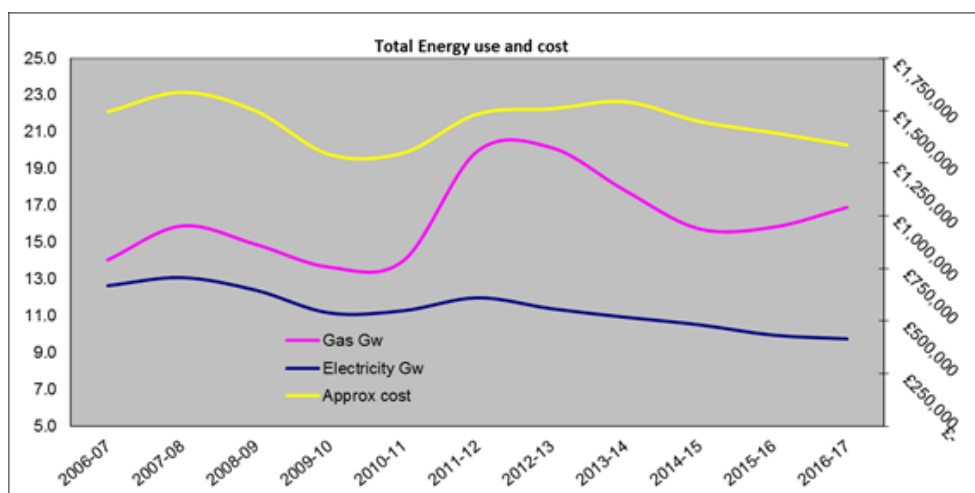
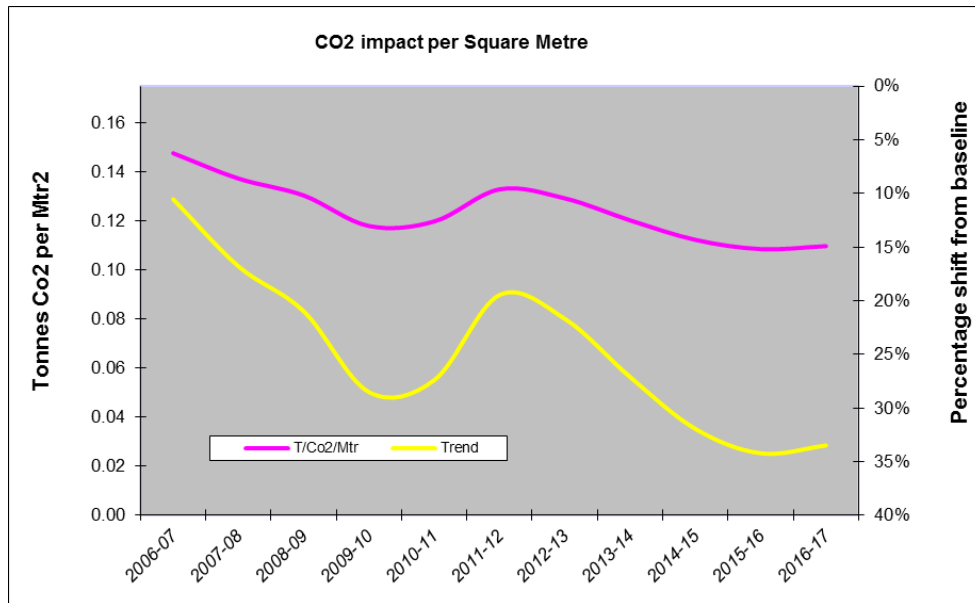
NML is an active participant in the International Association of Museums Facility Administrators (IAMFA). From this group a working party, representing estates and conservation departments, meet every six months to discuss and evaluate, the effect of the environmental requirements of our collections 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 whilst providing environmentally suitable conditions for the collections.

When planning gallery refurbishments in recent years we have taken a broader view on the requirements of our collections, and within the Lady Lever and more recently the Egypt gallery refurbishments, we have elected to use the most effective and efficient heating and fresh air controls, but have not installed full AC, sensitive collections are buffered from the effects of humidity changes in by quality environmentally sealed cases, free standing humidifiers and where required "in-case" micro-clima units. In the case of our new Egypt gallery this meant humidity controlling a 900 Mtr<sup>3</sup> case instead of a 4,000 Mtr<sup>3</sup> gallery.

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**Greenhouse gas emissions**

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is the regulatory incentive to improve energy efficiency in large public and private sector organisations. This mandatory scheme aims not only to improve energy efficiency, but also to reduce the amount of carbon dioxide (CO<sub>2</sub>) emitted in the UK. We have this year seen a slight increase of less than 1% in our Carbon footprint, which we are constantly analysing and will devise plans to reverse. Overall we are 33% lower per square metre, than our baseline of 2003.



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**Estate wide Carbon (CO<sub>2</sub> e) impact**

Area		2014/15	2015/16	2016/17
<b>Greenhouse Gas Emissions*</b> (t CO <sub>2</sub> e)	Scope 1			6,960
	Scope 2	8,543	7,682	773
	CRC expenditure	£131,922	£122,998	£133,921
<b>Estate energy</b>	Electricity consumption kWh	10,509,695	9,943,644	9,745,249
	Expenditure	£1,048,250	£1,009,755	£975,641
	Gas consumption kWh	15,934,096	15,619,180	16,885,980
	Expenditure	£417,465	£395,003	£361,218
<i>The statistical information in the table above relating gas, and electrical, consumption, is from NML's internal verification data. Annual CRC statements are not finalised until May/June.</i>				
<b>Estate Waste</b>	Total Amount - tonnes	202.2	213.7	221.0
	Total Expenditure	£40,602	£52,033	£46,988
	ICT Waste (at zero cost) -tonnes	3.5	1.6	0.5
	Waste incinerated with energy recovery -tonnes	49.4	71.4	93.8
	Waste to Landfill - tonnes	15.7	0.4	0.5
	Waste Recycled - tonnes	186.5	140.3	126.2
<b>Estate Water**</b>	Consumption	37,055 m <sup>3</sup>	34,682 m <sup>3</sup>	34,682 m <sup>3</sup>
	Expenditure	£60,337	£60,010	£60,010
<p>* NML has a new travel provider and will collect Scope 3 emissions for business travel from April 2017.</p> <p>**Water records are invalidated, as the water industry is going through a major change and cannot currently give us accurate data, therefore an estimate has been made for this years account.</p>				

**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

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sites, and that the current practice falls in line with 'TEEP' legislation. This states that 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.

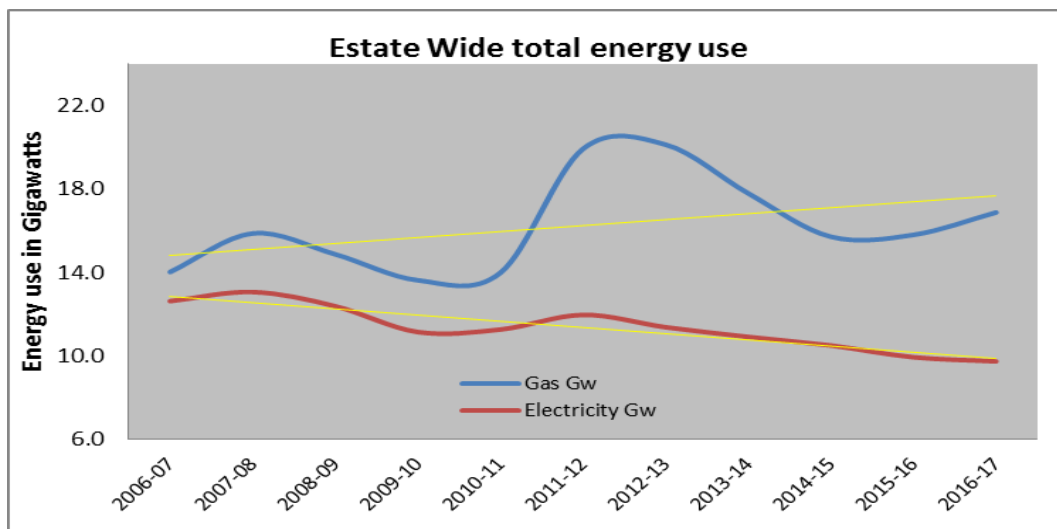
It is important that visitors understand the role played in supporting the protection of the natural world. This is communicated through messages in our Endangered Planet gallery at World Museum, and through formal, and informal, education programmes. Staff in the Clore Natural History Centre, Aquarium, 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**

NML have a proactive approach to resource consumption, monitoring and managing its energy consuming plant, we have seen a slight increase in gas consumption this year across the Estate though longer periods of cold, with heating typically being kept on until May in the past 2 years, and sometimes being required from September onwards. Our management and investment in electrical plant continues to deliver reduction, although moderate, is the main factor behind our continuing cost reduction.

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### **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.

### **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.

Within our in-house production and trades teams 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. NML's main maintenance contractor, procured through an OJEU open tender procedure, is accredited with ISO14001 and BS 9000.

All new exhibition systems are bought with flexibility as a key requirement, reducing future obsolescence.

### **Governance**

NML invested in a comprehensive collections-focused Environmental Monitoring System, which is common in all buildings. The provision of 200+ sensors across our Estate can be accessed by key staff throughout the venues, giving closer control of the conditions. This system and information is accessible by HVAC contractors 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 database.



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**Remuneration and Staff Report**

NML has prepared this Remuneration Report in accordance with the Government Financial Reporting Manual, which requires 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 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 (2015/16: nil). The emoluments of the Directorships are shown in the table on page 33.

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 annual appraisals of the Executive Team are countersigned by the Remuneration Committee.

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

The membership of the Remuneration Committee for the year ending 31 March 2017 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.

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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 2016.

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 £10,640 which was paid in 2016/17.

In line with Civil Service Pay Guidance NML has completed the removal of automatic pay progression for all staff in 2016/17. As part of this process on average a 4.8% pay increase was awarded to most staff in line with the government's pay remit. The average number of days lost (per employee) due to sickness during the year was 11.4 days, or 4.3 days, excluding long term sick, in 2016/17, (10.6 days, or 5.02 days, excluding long term sick, in 2015/16).

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

There was £8k expenditure on consultancy fees during 2016/17 (2015/16: nil).

### **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 2016/17 £'000	Salary Including Performance pay 2015/16 £'000	Pension Benefits <sup>1</sup> 2016/17 £'000	Pension Benefits <sup>1</sup> 2015/16 £'000	Total 2016/17 £'000	Total 2015/16 £'000
D Fleming Director	115-120 Plus non-consolidated bonus 10-15	110-115 Plus non-consolidated bonus 10-15	60-65	30-35	190-195	155-160
S Granville Executive Director of Collections and Estates	90-95	70-75	30-35	20-25	120-125	90-95
Carol Rogers Executive Director of Education and Visitors	90-95	70-75	45-50	50-55 <sup>3</sup>	135-140	125-130 <sup>3</sup>
Maxine Carden <sup>4</sup> Director of Human Resources	0	15-20 (50-55) <sup>2</sup>	0	0-5	0	15-20
James Best Director Of Human Resources	50-55	35-40 (50-55) <sup>2</sup>	20-25	75-80 <sup>5</sup>	70-75	115-120
Louise Parnell Executive Director of Finance	70-75	65-70	25-30	25-30	90-100	95-100

- <sup>1</sup>The 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.
- <sup>2</sup>Represents annualised salary.
- <sup>3</sup>C Rogers pension benefit figure has been restated for 2015/16.
- <sup>4</sup>M Carden left NML in May 2015.
- <sup>5</sup>The high figures shown reflect a significant promotion, resulting in an increase in annual pension benefits which is then multiplied by 20 as indicated in point<sup>1</sup> above.

There were no benefits in kind received by the Directors.

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**Salary**

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

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.

	<u>2016/17</u>	<u>2015/16</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>	£19,681	£18,715
<i>Remuneration Ratio</i>	6.48	6.81

In 2016/17, nil employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,916 to £128,500 (2015/16, £15,318 - £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.

The following information and table has been subject to audit:

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**Pension Benefits**

	Accrued pension at normal retirement age as at 31/03/17 and related lump sum £'000	Real increase in pension and related lump sum at normal retirement age £'000	CETV at 31/03/17 £'000	CETV <sup>1</sup> at 31/03/16 £'000	Real increase in CETV £'000
D Fleming Director	45-50 Plus lump sum 145-150	2.5-5.0 Plus lump sum 7.5-10	1051	993	58
S Granville Executive Director of Collections and Estates	25-30 Plus lump sum 85-90	0-2.5 Plus lump sum 5.0-7.5	609	552	28
Carol Rogers Executive Director of Education and Visitors	20-25	2.5-5.0	326	278 <sup>2</sup>	31
James Best Director Of Human Resources	10-15 Plus lump sum 30-35	0-2.5 Plus lump sum 0- 2.5	172	156	7
Louise Parnell Executive Director of Finance	0-5	0-2.5	40	22	12

- <sup>1</sup>The 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.
- <sup>2</sup>The CETV for 2015/16 was restated to £278k (from £258k)

**Pension**

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. 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](http://www.civilservicepensionschemes.gov.uk)).

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who

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were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

For 2016/17, employers' contributions of £1,884,380 were payable to the PCSPS (2015/16: £1,768,727) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands (the rates in 2015/16 were between 20.0% and 24.5%). 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 2016/17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, for 2016/17 employers' contributions of £13,204 were paid. The employee does not have to contribute, but where they do make contributions, 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 to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). In addition, employer contributions of £520, 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.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

There was one early retirement 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

### **Real increase in CETV**

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

Employees received no benefits in kind during the year.

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The following table has been subject to audit

1	Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band	
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
2	< £10,000	nil	nil	nil	nil	nil	nil
3	£10,000-£25,000	nil	nil	3	nil	3	nil
4	£25,000-£50,000	nil	nil	2	nil	2	nil
5	£50,000-£100,000	nil	nil	3	nil	3	nil
6	Total number of exit packages	nil	nil	8	nil	8	nil
7	Total resource cost / £000s	nil	nil	308	nil	308	nil

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.

Analysis of Staff Members with annual salaries over £60,000:-

Annual Salary Band	2016/17 Number of FTE	2015/16 Number of FTE
£65,001-£70,000	-	1
£70,001-£75,000	1	2
£90,001-£95,000	2	-
£110,001-£115,000	-	1
£115,001-£120,000	1	-



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

<b>Employee Configuration as at 31 March 2017</b>		<b>Employee Configuration as at 31 March 2016</b>	
Director's Office (incl Museum Secretary)	5	Director's Office (incl Museum Secretary)	5
Development and Communications	n/a	Development and Communications	n/a
Collections Management	126	Collections Management	126
Education, Communities & Visitors	223	Education, Communities & Visitors	219
Museum of Liverpool	n/a	Museum of Liverpool	n/a
Human Resources	9	Human Resources	10
Finance, IS & Procurement	34	Finance, IS & Procurement	34
NML Trading Ltd	<u>78</u>	NML Trading Ltd	<u>74</u>
	<u>475</u>		<u>468</u>

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

<b>Employee Configuration as at 31 March 2017</b>		<b>Employee Configuration as at 31 March 2016</b>	
Senior Management Team	32	Senior Management Team	31
Staff on permanent contract	412	Staff on permanent contract	412
Staff on fixed term contracts	<u>31</u>	Staff on fixed term contracts	<u>25</u>
Total	<u>475</u>	Total	<u>468</u>

Of the 32 Senior Management Team 3 are on fixed term contracts. The remainder are permanent. 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 4.

A further analysis of the composition of 'Full-Time Equivalent' employees as at 31<sup>st</sup> March 2017 is as follows:

	<b>Male</b>	<b>Female</b>	<b>Total</b>
NML Directors	2	3	5
Employees	200	270	470
Senior Civil Servants	-	-	-
Total	<u>202</u>	<u>273</u>	<u>475</u>

**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 £115 (2015/16:£17). One Trustee was reimbursed in 2016/17 (three in 2015/16). Travel and subsistence costs waived by Trustees was not material.

**Dr David Fleming OBE**  
**Director and Accounting Officer**  
**Date: 30 June 2017**

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**FUNDING AGREEMENT PERFORMANCE INDICATORS – 2016/17 OUTTURN**

<b>Performance Indicator</b>	<b>2016/17 Out-turn</b>	<b>2015/16 Out-turn</b>
<b>Core Targets</b>		
<b>KPI (1)</b> Total number of visits	<b>3,033,228</b>	<b>2,847,986</b>
<b>KPI (2)</b> Charitable giving - fundraising including donated assets;	<b>£9,062,000</b>	<b>£2,359,000</b>
Donated Assets included above:	<b>£5,652,000</b>	<b>£114,000</b>
<b>OPI (1)</b> Number of unique website visits <sup>1</sup>	<b>2,129,132</b>	<b>2,166,140</b>
<b>OPI (2)</b> Number of visits by children under 16	<b>518,682</b>	<b>458,525</b>
<b>OPI (3)</b> Number of overseas visits	<b>421,618</b>	<b>407,261</b>
<b>OPI (4)</b> Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	<b>186,764</b>	<b>163,465</b>
<b>OPI (5)</b> Number of instances of visitors under 18 participating in on-site organised activities	<b>191,118</b>	<b>207,037</b>
<b>OPI (6)</b> Percentage (%) of visitors who would recommend a visit	<b>96%</b>	<b>97%</b>
<b>OPI (7)</b> Admissions income (gross income)	<b>£305,878</b>	<b>£278,558</b>
<b>OPI (8)</b> Trading income (net income)	<b>£670,934</b>	<b>£1,674,879</b>
<b>OPI (9)</b> Number of UK loan venues <sup>2</sup>	<b>149</b>	<b>150</b>

**Explanatory Note:**

**KPI** represents Key Performance Indicators  
**OPI** represents Other Performance Indicators

<sup>1</sup>From 2011/12 the number of website visits has been calculated using Google Analytics.

<sup>2</sup>The numbers of objects on loan in the UK and abroad was 5,833 (2015/16-5,999.)

NML has stated both key and other indicators.

No targets were set by DCMS for 2016/17

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 30 June 2017

Sir David Henshaw  
Chairman of Trustees  
Date: 30 June 2017

**National Museums & Galleries on Merseyside**  
**Statement of Trustees' and Director's responsibilities**  
**For the year ended 31 March 2017**

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 for Culture, Media and Sport, with the consent of the Treasury. The account is prepared to show a true and fair view of the National Museums Liverpool's financial activities during the year and of its financial position at the end of the year.

In preparing the accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of State<sup>1</sup>, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates 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.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 30 June 2017

Sir David Henshaw  
Chairman of Trustees  
Date: 30 June 2017

<sup>1</sup> 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 including 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, and NML Trading Ltd's Board of Directors;
- items accessioned;
- loans agreed;
- performance metrics;
- risk management; 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.

**National Museums & Galleries on Merseyside**  
**Governance Statement**  
**For the year ended 31 March 2017**

NML's Chairman's term of office ended on 1 January 2017 and Carmel Booth acted as Interim Chair until the new Chairman could take up the post on 13 February 2017.

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

**The Finance Committee** met four times during the year. The meetings include review of the forward financial plan, performance against budget, the capital project budget, accounting policy, Information Systems and the Annual Report and Accounts.

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

The Trustees on the Audit Committee have the opportunity to 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, though this did not happen during the year. The process for doing this will be carried over to 2017/18 and 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.

**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2017**

**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.

<b>Name</b>	<b>Board (4)</b>	<b>Audit (4)</b>	<b>Finance (4)</b>	<b>Remuneration (1)</b>
<b><u>Trustees</u></b>				
*D Henshaw	100%			
P Redmond	100%			100%
J Baxter	N/A			
* C Booth	75%	100%	100%	100%
* L Carstensen	75%			
* J Chapman	75%			
C Elphick	100%	100%		
* H Lauder	75%	50%		100%
* A McCluskey	75%			
* P Price	50%		75%	
* I Rosenblatt	75%			
* V Tandy	100%			
* N Thorp	100%	75%		
* C Wilson	75%			
<b>Name</b>	<b>Board (4)</b>	<b>Audit (4)</b>	<b>Finance (4)</b>	<b>Remuneration (1)</b>
<b><u>Associate Trustees</u></b>				
* D Appleton		75%		
* G Hitchmough			75%	

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 the practices set out in this code where applicable with the exception of a review of the effectiveness of the Board and evaluation of individual Trustee members. This is due to the recent change in Chair and a number of Trustees and will be undertaken in 2017/18.

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

**National Museums & Galleries on Merseyside**  
**Governance Statement**  
**For the year ended 31 March 2017**

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, though no instances of it having being used in this year have been recorded. The policy and procedures were last used in 2014/15 and resulted in action being taken. In order to assess and monitor the level of risk in the organisation a risk register is maintained which documents the manner in which identified risks have been, and are being, managed. The risk register is comprehensively reviewed by the Executive Team. Emerging risks are added to the risk register, and are considered against the wider implications for the organisation. The Audit Committee review the risk register at each meeting, and the full register is presented to the Board for consideration and discussion on an annual basis.

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

Each year the Internal Audit Plan for the upcoming financial year is approved by the Audit Committee. 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.

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.

The Trustees are satisfied that the level and quality of information they are provided with is satisfactory to enable them to fulfil their duties.

**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.

**National Museums & Galleries on Merseyside**  
**Governance Statement**  
**For the year ended 31 March 2017**

**Review of the Effectiveness of Governance**

The Audit Committee performed a full review of performance in 2016/17 through an analysis of the results of a questionnaire.

A review of the effectiveness of the Board will be undertaken in 2017/18, once newly appointed Trustees have been in post long enough to be able to contribute effectively. The responses to this review will inform the new Chairman of areas for improvement.

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

NML has suffered no protected personal data incidents during 2016/17, and has made no reports to the Information Commissioner's Office.

**Internal Audit**

NML's internal audit function for 2016/17 was outsourced to PricewaterhouseCoopers. The Audit Committee approved the internal audit plan in February 2016 for the period to March 2017. The Audit Committee are regularly informed of, and challenge, progress against 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, Culture and Behaviours, Customer Relationships Management, Capital Projects Financial Management, Collections Management, NML Trading Ltd and Visitor Services. In addition, a rolling programme of venue-based reviews is carried out, which focuses on physical security processes, and financial controls.

The Head of Internal Audit's opinion for the year is presented below.

For 2017/18 NML's internal audit function will be carried out by Mazars who were appointed on a three year contract following the Government's Internal Audit Agency Framework process.

**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 there are adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met.

**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. In addition, risks are evaluated and added to the risk register when they arise, and archived, when appropriate.



**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2017**

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

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

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 risks as the most critical:

- 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 developed a cross disciplinary income generation team to exploit income generating opportunities, and report successes to its stakeholders.

A Director of Development is being recruited to lead on a new fundraising strategy, and a specialist fundraiser has been engaged to identify sources for fundraising opportunities linked to the Terracotta Warriors exhibition in 2018.

NML's cultural offer has been placed at the heart of a new Devolution model for Liverpool City Region (LCR). We are formally engaging with LCR in shaping and being part of a regional cultural strategy. We will do this in alliance with the new Local Culture Partnership (LCP) that aims to create a 30-year plan to help address a host of social and economic opportunities, and to develop LCR's culture offering strategically.

Dr David Fleming OBE  
Director & Accounting Officer  
Date: 30 June 2017

Sir David Henshaw  
Chairman of Trustees  
Date: 30 June 2017

## **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 2017 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 and Staff 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 the Statement of Trustees' and Director's responsibilities 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 2017 and of its net income 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 and Staff 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 and Staff 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 7 July 2017**

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 2017**

	Notes	Unrestrict ed funds £000	Restricted funds £000	Total 2017 £000	Unrestrict ed funds £000	Restricted funds £000	Restated 2016 £000
<b><u>Income and endowments from:</u></b>							
Donations, grants and legacies	2,2a,6a	20,300	9,061	29,361	19,988	2,912	22,900
Charitable activities	7a	508	-	508	1,928	-	1,928
Other trading activities	9	3,598	-	3,598	3,692	-	3,692
Investments	7b	39	32	71	51	32	83
Other		-	-	-	-	-	-
<b>Total</b>		<b>24,445</b>	<b>9,093</b>	<b>33,538</b>	<b>25,659</b>	<b>2,944</b>	<b>28,603</b>
<b><u>Expenditure on:</u></b>							
Raising funds		336	-	336	336	-	336
Charitable activities:							
Care of collections		4,663	1,038	5,701	4,435	856	5,291
Care of buildings		7,855	3,034	10,889	7,636	2,728	10,364
Visitor services		4,996	248	5,244	3,741	108	3,849
Exhibitions		1,539	84	1,623	1,924	65	1,989
Education and research		2,248	102	2,350	2,018	58	2,076
Grants to third parties		-	-	-	2,440	-	2,440
Fees and charges activities of charity staff		149	-	149	375	-	375
Other trading activities	9	<u>3,289</u>	<u>-</u>	<u>3,289</u>	<u>3,224</u>	<u>-</u>	<u>3,224</u>
<b>Total</b>	<b>4</b>	<b><u>25,075</u></b>	<b><u>4,506</u></b>	<b><u>29,581</u></b>	<b><u>26,129</u></b>	<b><u>3,815</u></b>	<b><u>29,944</u></b>
<b>Net gains on investments</b>	<b>24</b>	<b>-</b>	<b>41</b>	<b>41</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Net income / (expenditure)</b>		<b>(630)</b>	<b>4,628</b>	<b>3,998</b>	<b>(470)</b>	<b>(870)</b>	<b>(1,340)</b>
<b>Transfers between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>(4)</b>	<b>-</b>
<b>Gains on revaluation of fixed assets</b>	<b>6</b>	<b>8,151</b>	<b>3,499</b>	<b>11,650</b>	<b>2,026</b>	<b>1,320</b>	<b>3,346</b>
<b>Other gains/(losses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds</b>		<b><u>7,521</u></b>	<b><u>8,127</u></b>	<b><u>15,648</u></b>	<b><u>1,560</u></b>	<b><u>446</u></b>	<b><u>2,006</u></b>
<b>Reconciliation of funds:</b>							
Fund balances brought forward at 1 April		<u>118,677</u>	<u>118,139</u>	<u>236,816</u>	<u>117,117</u>	<u>117,693</u>	<u>234,810</u>
Fund balances carried forward at 31 March	14	<u>126,198</u>	<u>126,266</u>	<u>252,464</u>	<u>118,677</u>	<u>118,139</u>	<u>236,816</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 95 form part of these accounts.

**National Museums & Galleries on Merseyside**  
**Consolidated Balance Sheet**  
**As at 31 March 2017**

	Notes	2017 £000	2016 £000 Restated	2015 £000 Restated
<b>Fixed assets</b>				
Tangible assets	6	221,191	211,873	211,343
Heritage assets	6a	<u>20,104</u>	<u>14,385</u>	<u>14,104</u>
		<b>241,295</b>	226,258	225,447
<b>Current assets:</b>				
Stock		212	226	238
Investments	24	1,524	662	679
Debtors	10	1,597	2,251	2,880
Cash at bank and in hand	19	<u>12,100</u>	<u>11,083</u>	<u>10,515</u>
		<b>15,433</b>	14,222	14,312
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,632)</u>	<u>(3,219)</u>	<u>(4,021)</u>
<b>Net current assets</b>		<u>11,801</u>	<u>11,003</u>	<u>10,291</u>
<b>Total assets less current liabilities</b>		<u>253,096</u>	<u>237,261</u>	<u>235,738</u>
<b>Creditors: due after more than one year</b>	11	(383)	(445)	(445)
<b>Provisions</b>	12	<u>(249)</u>	-	<u>(483)</u>
<b>Total net assets</b>		<u>252,464</u>	<u>236,816</u>	<u>234,810</u>
<b>Represented by:</b>				
<b>Income funds</b>				
Revaluation Reserve	14	73,693	62,043	58,696
Restricted funds	14	103,887	99,259	100,134
Unrestricted funds:				
Designated funds	14	70,055	70,357	71,351
General funds	14	<u>4,829</u>	<u>5,157</u>	<u>4,629</u>
<b>Total funds</b>		<u>252,464</u>	<u>236,816</u>	<u>234,810</u>

The notes on pages 54 to 95 form part of these accounts

Dr David Fleming OBE  
 Director and Accounting Officer  
 Date: 30 June 2017

Sir David Henshaw  
 Chairman of Trustees  
 Date: 30 June 2017

**National Museums & Galleries on Merseyside  
Museum Balance Sheet  
As at 31 March 2017**

	Notes	2017 £000	2016 £000 Restated	2015 £000 Restated
<b>Fixed assets</b>				
Tangible assets	6	220,917	211,655	211,143
Heritage assets	6a	20,104	14,385	14,104
Investment in NML Trading Limited	9	<u>610</u>	<u>610</u>	<u>380</u>
		<b>241,631</b>	226,650	225,627
<b>Current assets:</b>				
Stock		-	-	16
Investments	24	1,524	662	679
Debtors	10	1,730	2,662	3,399
Cash at bank and in hand		<u>11,441</u>	<u>10,136</u>	<u>9,755</u>
		<b>14,695</b>	13,460	13,849
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,367)</u>	<u>(2,941)</u>	<u>(3,793)</u>
<b>Net current assets</b>		<b><u>11,328</u></b>	<b><u>10,519</u></b>	<b><u>10,056</u></b>
<b>Total assets less current liabilities</b>		<b><u>252,959</u></b>	<b><u>237,169</u></b>	<b><u>235,683</u></b>
<b>Creditors: amounts due after more than one year</b>	11	(320)	(355)	(391)
<b>Provisions</b>	12	<u>(249)</u>	-	<u>(483)</u>
<b>Total net assets</b>		<b><u>252,390</u></b>	<b><u>236,814</u></b>	<b><u>234,809</u></b>
<b>Represented by:</b>				
<b>Income funds</b>				
Revaluation Reserve	14	73,693	62,043	58,696
Restricted funds	14	103,887	99,259	100,134
Unrestricted funds:				
Designated funds	14	70,055	70,357	71,351
General funds		<u>4,755</u>	<u>5,155</u>	<u>4,628</u>
<b>Total funds</b>	27	<b><u>252,390</u></b>	<b><u>236,814</u></b>	<b><u>234,809</u></b>

The notes on pages 54 to 95 form part of these accounts

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 30 June 2017

Sir David Henshaw  
Chairman of Trustees  
Date: 30 June 2017

**National Museums & Galleries on Merseyside**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 March 2017**

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	<b>Notes</b>	<b>2017</b>	2016
		<b>£000</b>	£000
			Restated
Cash used in operating activities	<b>19</b>	<b>(1,574)</b>	3,412
Cash flows from investing activities			
Interest and dividends received	<b>7b</b>	<b>71</b>	83
(Increase)/Decrease in investments	<b>24</b>	<b>(821)</b>	18
Net gains on investments		<b>(41)</b>	(1)
Purchase of tangible assets	<b>6, 6a</b>	<b><u>3,382</u></b>	<u>(2,944)</u>
Cash used in investing activities		<b><u>2,591</u></b>	<u>(2,844)</u>
Increase / (decrease) in cash in the year	<b>19</b>	<b><u>1,017</u></b>	<u>568</u>

The notes on pages 54 to 95 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).

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.

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



**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

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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.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

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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 2017. In the intervening years in the future an external desktop valuation is undertaken.

The permanent galleries within the new Museum of Liverpool are subject to modified historical cost accounting.

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 has one significant operating lease associated with the Combined Heat and Power plant. NML continues to treat this transaction as off-balance sheet because it does not meet the definition of a service concession in that it is not explicit

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

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in the areas of control and regulation (substance over form). Also NML does not have a significant interest in the asset at the expiry date.

NML holds a number of finance leases at nil cost which are valued within fixed assets (land and buildings leaseholds) 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) Cash and Cash Equivalents**

Cash and Cash Equivalents include cash in hand and deposits held at commercial banks.

**n) 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.

**o) Significant Judgements and Estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgement (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements.

**Land and Buildings**

Land and Buildings represents a significant proportion of the asset base and therefore estimates and assumptions made to determine their carrying value and depreciation are critical to the financial statements. Full revaluation of land and buildings are undertaken every five years and a professional desktop exercise is undertaken in the intervening years. Carrying values are shown in note 6 to the financial statements.

- p) ***Accounting standards that have been issued but have not yet been adopted***  
The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2016-17. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration. Full assessments of the impact of these standards will be completed by the Department in due course.
- IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
  - IFRS 15 Revenue for Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
  - IFRS 16 Leases – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

**2. Grant-in-Aid and voluntary contributions**

£20,050,000 of DCMS Grant-in-Aid has been received during the year (2016: £19,761,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:

	<b>2017</b>	2016
	<b>£000</b>	£000
General fund	<b>18,266</b>	18,266
Government grant capital allocation	<b>1,784</b>	<u>1,495</u>
Total GiA	<b>20,050</b>	19,761
Voluntary contributions	<b>250</b>	<u>227</u>
	<b><u>20,300</u></b>	<u>19,988</u>

NML also receives Grant-in-Aid from the Border Force. The amount received in 2016/2017 was £247,000 (2015/16 £247,000). No Capital GiA was received from Border Force in 2016/17 (2015/16 £nil). A summary can be seen at note 16.

**2a. Donations and grants**

£9,061,000 (£2,912,000 2015/16) was recognised during the year; of which £5,652,000 (£114,000 2015/16) was gifted. The restricted income included the following HLF contributions towards NML's capital programme:-

	<b>2017</b>	2016
	<b>£000</b>	£000
Heritage Lottery Fund	<b>113</b>	682
Other revenue and capital grants and donations	<b>3,049</b>	1,869
Border Force	<b>247</b>	247
Gifts	<b>5,652</b>	<u>114</u>
	<b><u>9,061</u></b>	<u>2,912</u>

**3. Net expenditure**

	<b>2017</b>	2016
	<b>£000</b>	£000
Net expenditure before transfers is stated after charging for:		
Travel and subsistence (including Trustees)	<b>127</b>	106
Hospitality	<b>42</b>	51
Operating lease payments (Ener-G CHP scheme)	<b>543</b>	530
Operating lease payments (Other)	<b>88</b>	84
Consolidated audit fee	<b>45</b>	47
Trading company audit fee	<b>10</b>	9
Depreciation	<b>6,279</b>	6,093
Loss on disposals	<b>330</b>	-

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

4. Total expenditure on	Staff Costs £000	Other Costs £000	Depre- ciation £000	2017 Total £000	2016 Total £000
Raising funds	308	28	-	336	336
Charitable activities:					
Care of collections	3,849	452	1,400	5,701	5,291
Care of buildings	1,024	4,759	5,106	10,889	10,364
Visitor services	3,957	1,285	2	5,244	3,849
Exhibitions	980	642	1	1,623	1,989
Education and research	2,083	266	1	2,350	2,076
Grants to third parties	-	-	-	-	2,440
Fees & charges activities of charity staff	78	71	-	149	375
Other trading activities	<u>1,827</u>	<u>1,363</u>	<u>99</u>	<u>3,289</u>	3,224
Total expenditure	<u>14,106</u>	<u>8,866</u>	<u>6,609</u>	<u>29,581</u>	<u>29,944</u>
<b>Governance costs</b>					
External audit fees	-	55	-	55	56
Corporate governance	58	-	-	58	57
Internal audit	-	57	-	57	56
Legal advice	-	35	-	35	27
Finance	<u>55</u>	<u>3</u>	-	<u>58</u>	<u>56</u>
	<u>113</u>	<u>150</u>	-	<u>263</u>	<u>252</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	2017 Total	2016 Total
Management	86	58	95	26	48	313	310
Finance (inc Audit)	230	234	268	78	130	940	746
Information systems	186	254	228	71	105	844	772
Office services	12	16	14	4	7	53	59
Human resources	<u>113</u>	<u>117</u>	<u>132</u>	<u>39</u>	<u>64</u>	<u>465</u>	<u>462</u>
	<u>627</u>	<u>679</u>	<u>737</u>	<u>218</u>	<u>354</u>	<u>2,615</u>	<u>2,349</u>

The governance and support costs are contained within the respective charitable activities headings above.

The Museum depreciation is split between Unrestricted £2.662m and Restricted £3.518m.

The unrestricted element counts against NML's non-cash RDEL allocation.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

**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 Egypt Gallery. The amount for the year was £99k. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML £000	NML Trading Ltd £000	Total 2017 £000	Total 2016 £000
Wages and salaries	9,581	1,685	11,266	10,316
Social security costs	792	93	885	605
Pension costs	<u>1,906</u>	<u>49</u>	<u>1,955</u>	<u>1,756</u>
<b>Staff Costs within expenditure</b>	<b>12,279</b>	<b>1,827</b>	<b>14,106</b>	<b>12,677</b>
Capitalised staff costs	99	-	99	371
Agency staff costs	<u>23</u>	-	<u>23</u>	<u>15</u>
<b>Total staff costs</b>	<b><u>12,401</u></b>	<b><u>1,827</u></b>	<b><u>14,228</u></b>	<b><u>13,063</u></b>

The capitalised staff costs related to capital projects include; Basic Pay £74,203  
Employers NIC £8,196 and Employers Superannuation costs £16,250.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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](http://www.civilservicepensionschemes.gov.uk)).

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue



## National Museums & Galleries on Merseyside

### Notes forming part of the financial statements for the year ended 31 March 2017

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at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

For 2016/17, employers' contributions of £1,884,380 were payable to the PCSPS (2015/16: £1,768,727) 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 which is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers, for 2016/17 employers' contributions of £13,204 (2015/16: £13,496) were paid. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

In addition, employer contributions of £520 (2015-16 £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. Is this PC

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

There was one early retirement on ill-health grounds during the year; the total additional accrued pension liabilities in the year amounted to zero.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2017**

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The subsidiary trading company previously operated a defined contribution scheme. The current pension arrangement means that the pensionable employees of the subsidiary company are in direct contract with the pension provider. NMLT makes a contribution of 5% of basic salary to the pension plans of those staff who are members of the Group Plan and the liability of the subsidiary is limited to this contribution. The employers' contribution amounted to £48,708 (2015/16; £38,136).

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2017**

<b>6. Tangible Fixed Assets</b>	<b>Land</b>	<b>Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Permanent Galleries</b>	<b>Motor Vehicles</b>	<b>Sub-total</b>	<b>Heritage Assets (note 6a)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost/valuation</b>								
<b>Valuation base at</b>								
01- Apr-16 restated	14,521	181,509	22,910	27,060	96	246,096	14,385	260,481
Additions in year	-	2,009	290	1,979	-	4,278	5,719	9,997
Disposals	-	(375)	(6,150)	(567)	(40)	(7,132)	-	(7,132)
Revaluation	<u>1,014</u>	<u>6,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,981</u>	<u>-</u>	<u>7,981</u>
<b>Closing valuation</b>	<b><u>15,535</u></b>	<b><u>190,110</u></b>	<b><u>17,050</u></b>	<b><u>28,472</u></b>	<b><u>56</u></b>	<b><u>251,223</u></b>	<b><u>20,104</u></b>	<b><u>271,327</u></b>
<b>Depreciation</b>								
Balance as at								
01- Apr-16 restated	-	-	22,512	11,615	96	34,223	-	34,223
Base charge for year	-	3,714	246	2,319	-	6,279	-	6,279
Disposals	-	(45)	(6,149)	(567)	(40)	(6,801)	-	(6,801)
Revaluation	<u>-</u>	<u>(3,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,669)</u>	<u>-</u>	<u>(3,669)</u>
<b>Balance as at 31-Mar-17</b>	<b>-</b>	<b>-</b>	<b><u>16,609</u></b>	<b><u>13,367</u></b>	<b><u>56</u></b>	<b><u>30,032</u></b>	<b>-</b>	<b><u>30,032</u></b>
<b>Net book value:</b>								
<b>At 31 March 2017</b>	<b><u>15,535</u></b>	<b><u>190,110</u></b>	<b><u>441</u></b>	<b><u>15,105</u></b>	<b>-</b>	<b><u>221,191</u></b>	<b><u>20,104</u></b>	<b><u>241,295</u></b>
At 31 March 2016 restated	<u>14,521</u>	<u>181,509</u>	<u>398</u>	<u>15,445</u>	-	<u>211,873</u>	<u>14,385</u>	<u>226,258</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 2017 was made up of:

	<b>2017</b>	2016
	<b>£000</b>	restated £000
NML tangible fixed assets	<b>220,917</b>	211,655
NML heritage assets	<b>20,104</b>	14,385
NMLT tangible fixed assets	<b><u>274</u></b>	<u>218</u>
	<b><u>241,295</u></b>	<u>226,258</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 2017 and the results of the valuation are reflected in the financial statements. The table reflects an increase this year in net book value. This is the result of the land and buildings valuation by Deloitte LLP as at 31 March 2017. 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	NBV Bldgs	Land Value	NBV Bldgs
		31-Mar-16	31-Mar-16	31-Mar-17	31-Mar-17
		£	£	£	£
<b>Freehold Properties</b>					
Lady Lever Art Gallery	DRC	410,000	8,250,000	440,000	8,550,000
County Sessions House	DRC	430,000	1,600,000	600,000	1,550,000
The Walker	DRC	2,317,000	17,446,000	2,400,000	18,140,000
World Museum	DRC	3,550,000	68,800,000	3,600,000	71,800,000
Sudley House	DRC	250,000	1,600,000	240,000	1,750,000
Juniper Street	EUV	756,000	2,994,000	315,000	2,135,000
Dale Street	EUV	1,562,500	1,072,500	1,563,000	1,047,000
Maritime Park (Yellow Zone):-					
Great Western Railway (GWR) Building	EUV	132,000	243,000	132,000	273,000
GWR Amenity Land (T7A)	DRC				
Canning Docks	DRC	1,300,000	1,700,000	1,600,000	1,600,000
Canning Docks / Pilotage Amenity Land	EUV / MV				
Museum of Lpool Life retained / Pilotage building	EUV	384,000	616,000	448,000	862,000
Maritime Park (Red Zone):-					
Museum of Liverpool	DRC	2,000,000	44,500,000	2,400,000	47,410,000
		<b>13,091,500</b>	<b>148,821,500</b>	<b>13,738,000</b>	<b>155,117,000</b>
<b>Long Leasehold Properties</b>					
Oratory	DRC	65,000	85,000	70,000	80,000
Maritime 'D' Block	DRC	470,000	18,300,000	450,000	21,100,000
Maritime Piermaster's House	DRC	70,000	230,000	70,000	240,000
Piermaster's and Cooperage	DRC	75,000	240,000	70,000	265,000
Dockmaster's House	EUV	30,000	95,000	30,000	105,000
The Walker (Clayton Stack)	DRC	33,000	154,000	0	160,000
National Conservation Centre	DRC	470,000	12,400,000	890,000	11,800,000
Dale Street (11 North St)	EUV	-	75,000	0	85,000
Dock Traffic Office	EUV	217,000	1,108,000	217,000	1,158,000
		<b>1,430,000</b>	<b>32,687,000</b>	<b>1,797,000</b>	<b>34,993,000</b>
<b>Totals</b>		<b>14,521,500</b>	<b>181,508,500</b>	<b>15,535,000</b>	<b>190,110,000</b>

**National Museums & Galleries on Merseyside**  
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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:

	<b>£000</b>
Land	15,535
Freehold buildings	155,117
Long leasehold buildings	<u>34,993</u>
	<b><u>205,645</u></b>

**Disposals in year**

There was £7,132k (historic cost) of buildings, furniture and fittings & permanent gallery disposals for NML and 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 since 1 April 2001 where cost/valuation information is available.

In relation to collections acquired by NML prior to the requirement to capitalise Collections, NML judges that this information cannot be obtained at a cost that would be commensurate with the benefit to users of the financial statements and that a valuation approach to earlier acquisitions is not practicable. In addition to the number of assets involved, this is based on the fact that valuation is complicated by the quantity and nature of such assets. They are rarely sold and often have a value enhanced above the intrinsic through their association with a person, event or collection, there are a very limited number of buyers, no homogeneous population of assets on the market and there is often imperfect information about the items.

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.

**National Museums & Galleries on Merseyside**  
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**On-Balance-Sheet Heritage Assets**

	Acquisitions at historic cost	Donated assets at valuation	Total
	£000	£000	£000
At 01.4.2016	3,094	11,291	14,385
Additions	67	5,652	5,719
At 31.3.2017	3,161	16,943	20,104

**Five year financial summary of heritage asset transactions**

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Additions	740	485	2,105	281	5,719
Purchases	7	56	1	167	67
Donations	733	429	2,104	114	5,652

### **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**

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 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 (3<sup>rd</sup> 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 ago...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 2016/17 the major additions were:

	£
<b>Donated Items:</b>	
Castle Howard collection. Accepted in lieu of Inheritance Tax by H M Government from the Trustees of Baron Howard of Henderskelfe's Will Trust and allocated to National Museums and Galleries on Merseyside Liverpool for display in situ at Castle Howard, 2017. Tax Settlement value total	5,424,369
'Origins of a painter' William Mulready – oil on canvas. Accepted in lieu of Inheritance Tax by H M Government from the estate of Carmen Valentine Lewis and allocated to the Walker Art Gallery Liverpool 2017 for display in the Walker Art Gallery. Tax Settlement value total	42,000
"You'll Never Walk Alone", Sue Johnston by Christian Hook	50,000
Byrophyte collection from Professor Mark Seward	62,000
"Summer 80" oil on canvas by William Gear	25,000
27 works of art by John Walker	7,000

	£
<b>Purchases:</b>	
Items from the wreck of RMS Titanic	50,000
Alice Kettle (a pair of textile works, Adam and Eve)	7,000
Marvin Gaye Chetwynd - Sexy Collages 2015	3,280

The total value of heritage donated items received during the year was £5,652k 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**

<b>7a. Income from charitable activities</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Car parking	-	88
Exhibitions	106	821
Proceeds of settlement	-	325
Fees & charges activities	215	413
Photography	30	30
Projects income	<u>157</u>	<u>251</u>
	<b><u>508</u></b>	<b><u>1,928</u></b>

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.

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	47	59
Tomlinson dividend receivable	<u>24</u>	<u>24</u>
	<b><u>71</u></b>	<b><u>83</u></b>

**National Museums & Galleries on Merseyside**  
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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 2016/17 NML's total income was £33.540m (including a £5.6m gift). £20.050m (60%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition a 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	2017	2016
		£000	£000
Trade debtors	10	185	204
Other debtors	10	770	1,560
Cash at bank and in hand	per balance sheet	12,100	11,083

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs: £569,015 (2015/16, £450,040)

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 2017	0	113	14	58
As at March 2016	130	33	3	38

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 £22,540 (£70,131 2015/16) has been recognised on the balance sheet. The majority of other debtors are capital grants receivable and are therefore considered to be low risk.

**National Museums & Galleries on Merseyside**  
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**Financial liabilities by category**

	Note	2017 £000	2016 £000
Trade creditors	11	1,442	1,048
Other creditors & accruals	11	1,653	1,641
Provisions	12	249	-
Repayable grants	11	-	-

The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs: £302,427 (2015/16, £280,366). 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 2016/17 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 “gain” at year end of £4,276.

**Investment Risk**

NML has £1.524m 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 4.5% 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.

**National Museums & Galleries on Merseyside**  
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**9. Trading subsidiary**

NML owns the whole of the issued share capital of NML Trading Limited. NMLT is a company registered company in England and Wales, Company Registration No.02676330. 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
- Mrs C Booth
- Prof Phil Redmond CBE (resigned 2 January 2017)
- Mr G A McCluskey
- Mr P C Price;
- Mrs L E Parnell
- Ms H Lauder (resigned 25 January 2017)
- Mrs M Lewis (appointed 22 November 2016)
- Mr I I Rosenblatt (appointed 1 June 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 2017 and the Company's Balance Sheet are set out below;

<b>Profit and Loss (P&amp;L)</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Sales	3,695	3,781
Cost of sales	<u>(1,105)</u>	<u>(1,149)</u>
<b>Gross profit</b>	<b>2,590</b>	<b>2,632</b>
Administrative expenses	<b>(2,500)</b>	<b>(2,308)</b>
Other operating income	<u>65</u>	<u>41</u>
<b>Operating profit</b>	<b>155</b>	<b>365</b>
Interest receivable and similar income	3	3
Interest payable and similar charges	<u>(85)</u>	<u>(367)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>73</b>	<b>1</b>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>
<b>Profit for the year</b>	<b><u>73</u></b>	<b><u>1</u></b>

**National Museums & Galleries on Merseyside**  
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For tax planning purposes, NMLT Ltd makes an annual gift aid transfer to NML. This year the figure is £75k and is shown in "Interest payable and similar charges" above.

<b>Balance Sheet</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Fixed assets	274	218
Current assets	1,040	1,297
Current liabilities	<u>(567)</u>	<u>(813)</u>
Net current assets	<u>473</u>	<u>484</u>
Total assets less current liabilities	746	701
Creditors: amounts due after more than one year	<u>(62)</u>	<u>(90)</u>
Total net assets	<u>684</u>	<u>611</u>
Called up share capital	610	610
Profit and loss reserve	<u>74</u>	<u>1</u>
	<u>684</u>	<u>611</u>

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.

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>NMLT income</b>		
Non group income as shown in the Statement of Financial Activities	3,598	3,692
Intergroup sales	165	133
<b>Equals total NMLT Income in P&amp;L</b>	<u>3,763</u>	<u>3,825</u>

**NMLT costs**

Non group costs as shown in the Statement of Financial Activities excluding gift aided transfer to NML (£75k)	3,289	3,224
Intergroup costs	<u>326</u>	<u>242</u>
<b>Equals total NMLT Costs before gift aided transfer to NML</b>	<u>3,615</u>	<u>3,466</u>
Gift Aided Transfer to NML	75	358
<b>Equals total NMLT Costs in P&amp;L</b>	<u>3,690</u>	<u>3,824</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amount owed by NML to NMLT</b>	<u>27</u>	<u>32</u>
<b>Amount owed by NMLT to NML</b>	<u>275</u>	<u>503</u>

**National Museums & Galleries on Merseyside**  
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<b>10. Debtors</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Museum</b>	<b>Group</b>	<b>Museum</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts due from subsidiary	275		503	-
Trade debtors	84	185	138	204
Other debtors	744	770	1,542	1,560
Prepayments	58	73	29	37
Taxation (VAT) recoverable	<u>569</u>	<u>569</u>	<u>450</u>	<u>450</u>
	<u>1,730</u>	<u>1,597</u>	<u>2,662</u>	<u>2,251</u>

The Debtors balance above includes £113,200 owed by HLF (£428,409 2015/16) and £569,015 owed by HM Revenue & Customs (£450,040 2015/16).

The total for the year is £682,215 (£878,449 2015/16).

There were no further Whole of Government Accounts (WGA) related balances outstanding as at 31 March 2017.

Other debtors in 2016 also includes an amount (£325,000) regarding cost recovery in relation to a settlement of a dispute with one of our contractors.

<b>11. Creditors</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Museum</b>	<b>Group</b>	<b>Museum</b>	<b>Group</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:				
Amounts due to subsidiary	27	-	32	-
Trade creditors	1,400	1,442	974	1,048
Other creditors and accruals	1,626	1,653	1,617	1,641
Deferred income	90	235	139	250
Taxation and social security	<u>224</u>	<u>302</u>	<u>179</u>	<u>280</u>
	<u>3,367</u>	<u>3,632</u>	<u>2,941</u>	<u>3,219</u>
Amounts falling due after one year:				
Accrual for CHP and finance lease	<u>320</u>	<u>383</u>	<u>355</u>	<u>445</u>

HMRC were owed £302,427 (£280,366 2015/16).

There were no further WGA related balances outstanding.



**National Museums & Galleries on Merseyside**  
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12. Provisions	2017	2017	2016	2016
	Museum £000	Group £000	Museum £000	Group £000
Balance brought forward	-	-	483	483
Provision in year	249	249	-	-
Payments in year	-	-	(72)	(72)
Releases in year	-	-	(411)	(411)
<b>Balance carried forward</b>	<b><u>249</u></b>	<b><u>249</u></b>	<b>=</b>	<b>=</b>

The provision represents the voluntary severance constructive obligation that existed at 31 March 2017. There have been no payments made against the provision in-year. It is expected that the voluntary exits will occur in this financial year and that the staff members are known. The exits will be funded from General Funds.

The releases in the previous financial year represents provisions not taken up and moves to accruals.

No staff members took early retirement in 2016/17 (nil 2015/16).

### 13. Financial commitments

At 31 March 2017 NML had total commitments under non-cancellable leases as follows:

	2017	2017	2016	2016
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	54	588	54	569
In the second to fifth year	162	2,425	216	2,379
More than five years	-	<u>3,312</u>	-	<u>3,927</u>
	<u>216</u>	<u>6,325</u>	<u>270</u>	<u>6,875</u>

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

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
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**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 <sup>nd</sup> to 5 <sup>th</sup> year (£000)	6 <sup>th</sup> to 10 <sup>th</sup> year (£000)	11 <sup>th</sup> to 12 <sup>th</sup> year (£000)
Payment commitments	557	2,371	3,312	nil

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**

**Unrestricted funds**

	At 1 Apr-16 Restated £000	Income £000	Expend- iture £000	Revalua- tions £000	Transfers £000	At 31 Mar-17 £000
<b>Designated funds</b>						
Collection purchase fund	3	-	-	-	-	3
Collection purchase fund - capital	809	-	-	-	-	809
Border Force admissions (Free)	79	-	-	-	(5)	74
Academic publications (Free)	155	47	(15)	-	-	187
Special Projects (Free)	71	-	-	-	879	950
TFA - Capital reserve *	36,633	-	(1,077)	-	-	35,556
TFA - Government grant ITF**	400	-	(12)	-	-	388
TFA - Government grant	22,904	1,784	(1,555)	-	-	23,133
TFA - General capital	5,824	-	(263)	-	-	5,561
TFA - NMGM ITF	<u>3,479</u>	-	<u>(85)</u>	-	-	<u>3,394</u>
<b>Total designated funds</b>	<b>70,357</b>	<b>1,831</b>	<b>(3,007)</b>	<b>-</b>	<b>874</b>	<b>70,055</b>
<b>General funds (Free)</b>	<b><u>5,157</u></b>	<b><u>22,614</u></b>	<b><u>(22,068)</u></b>	<b>-</b>	<b><u>(874)</u></b>	<b><u>4,829</u></b>
<b>Sub -Total</b>	<b>75,514</b>	<b>24,445</b>	<b>(25,075)</b>	<b>-</b>	<b>-</b>	<b>74,884</b>
<b>Revaluation Reserve</b>	<b><u>43,163</u></b>	<b>-</b>	<b>-</b>	<b><u>8,151</u></b>	<b>-</b>	<b><u>51,314</u></b>
<b>Total unrestricted funds</b>	<b><u>118,677</u></b>	<b><u>24,445</u></b>	<b><u>(25,075)</u></b>	<b><u>8,151</u></b>	<b>-</b>	<b><u>126,198</u></b>

\* 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 £879,000 from the General Fund to the Special Projects Fund which is set aside to fund future projects.

**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.

**Special Projects Fund**

for major 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 from DCMS.

**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.

**National Museums & Galleries on Merseyside**  
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**Restricted funds**

	At 1 Apr-16 Restated £000	Income £000	Expend- iture £000	Revalua- tions £000	Transfers £000	At 31 Mar-17 £000
Collection purchase fund	13,804	5,699	-	-	40	<b>19,543</b>
Development fund revenue	2,563	1,185	(984)	-	(230)	<b>2,534</b>
Tomlinson fund	224	24	(4)	-	-	<b>244</b>
Share Capital Fund	230	-	-	-	-	<b>230</b>
TFA - Development fund	8,389	2185	(951)	-	190	<b>9,813</b>
TFA - Tomlinson capital	927	-	(131)	41	-	<b>837</b>
TFA - NMGM ITF - Lottery	16,583	-	(713)	-	-	<b>15,870</b>
TFA - Lottery	8,383	-	(700)	-	-	<b>7,683</b>
TFA - ERDF ITF	2,822	-	(88)	-	-	<b>2,734</b>
TFA - ERDF	7,733	-	(313)	-	-	<b>7,420</b>
TFA - Development fund ITF	1,415	-	(40)	-	-	<b>1,375</b>
TFA - NWDA	<u>36,186</u>	-	<u>(582)</u>	-	-	<b><u>35,604</u></b>
<b>Sub Total</b>	<b>99,259</b>	<b>9,093</b>	<b>(4,506)</b>	<b>41</b>	-	<b>103,887</b>
Revaluation Reserve	<u>18,880</u>	-	-	<u>3,499</u>	-	<b><u>22,379</u></b>
<b>Total restricted funds</b>	<b><u>118,139</u></b>	<b><u>9,093</u></b>	<b><u>(4,506)</u></b>	<b><u>3,540</u></b>	-	<b><u>126,266</u></b>

The significant transfer between funds during the year was £190,000 from the revenue Development Fund to the capital Development Fund to cover capital spend on 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.

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

NML has reinstated the Revaluation Reserve, which was previously subsumed within the respective TFA unrestricted and restricted funds. The adjustments have been made to reflect the fund movements recorded in the historical statutory accounts, where there has been a revaluation. These would have been; full land & buildings, desktop or indexation valuations

**15. Analysis of group net assets between funds**

Fund balances at 31 March 2017 are represented by:	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total £000</b>
Tangible fixed assets	119,014	122,281	241,295
Investments	-	1,524	1,524
Net assets (excl fixed assets) and cash	<u>7,184</u>	<u>2,461</u>	<u>9,645</u>
	<b><u>126,198</u></b>	<b><u>126,266</u></b>	<b><u>252,464</u></b>
Unrealised gains included above:			
On tangible fixed assets and investments	<b><u>8,151</u></b>	<b><u>3,540</u></b>	<b><u>11,691</u></b>

**National Museums & Galleries on Merseyside**  
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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 2016/17 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:

	<b>£000</b>
<b>Application of funds</b>	
Total funds received as at April 2016	<b>1,469</b>
Funds received in year	-
Virement from Revenue Grant	-
<b>Total funds received as at 31 March 2017</b>	<b><u>1,469</u></b>
Funds applied as at 1 April 2016	<b>(1,469)</b>
Funds applied in year	-
<b>Funds applied as at 31 March 2017</b>	<b>(1,469)</b>
<b>Unapplied capital funding at 31 March 2017</b>	<b><u>==</u></b>

**National Museums & Galleries on Merseyside**  
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**Running Cost Grant-in-Aid** **£000**

The funding position for 2016/17 is as follows:

**Application of funds**

Unapplied funds as at 1 April 2016	-
2016/17 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>
<b>Unapplied funds as at 31 March 2017</b>	<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 £129,366

**18. Capital Commitments**

NML has three medium sized active capital projects, which include the rectification works to the steps and terraces of the Museum of Liverpool, the redevelopment and expansion of the Ancient Egypt galleries within the World Museum and finally, the redevelopment of the retail and catering areas, also within World Museum.

The above three projects are the main elements of capital commitments as at 31 March 2017 of £333k.



**National Museums & Galleries on Merseyside**  
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**19. Cash flow information**

**a) Reconciliation of changes in resources to net cash inflow from operating activities**

	2017	2016
	£000	£000
		Restated
Net incoming resources	3,998	(1,340)
Depreciation ( <i>less disposals</i> )	(522)	5,930
Interest received	(71)	(83)
Gifts	(5,652)	(114)
Decrease /(increase) in stock	14	12
Decrease /(increase) in debtors	654	629
(Decrease)/increase in creditors	(244)	(1,139)
(Decrease)/increase in provisions	<u>249</u>	<u>(483)</u>
Net cash inflow from operating activities	<u>(1,574)</u>	<u>3,412</u>

**b) Analysis of cash flows**

Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(3,382)	2,944
Returns on investments and servicing of finance	71	83
(Increase) / decrease in Investments	(821)	18
Net gains on investments	(41)	(1)
Management of liquid resources:		
Increase / (decrease) in cash	<u>1,017</u>	<u>568</u>

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

Increase /(decrease) in cash and movement in net funds in the year	1,017	568
Net funds at 1 April	<u>11,083</u>	<u>10,515</u>
Net funds at 31 March	<u>12,100</u>	<u>11,083</u>

**d) Analysis of net funds**

	01-Apr 2016 £000	Cash Flow £000	31-Mar 2017 £000
Cash	<u>11,083</u>	<u>1,017</u>	<u>12,100</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 for Business, Energy & Industrial Strategy, 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 remuneration of key NML management personnel was £582,215. This includes gross pay, bonus, employers national insurance and employers pension contributions.

During the year none of the key management personnel undertook any material related 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
Liverpool John Moores University	Sir David Henshaw - Honorary Fellow	Evaluation of Dementia Awareness "Train the Trainer" programme		3		
Liverpool John Moores University	Prof Phil Redmond, CBE, Honorary Chair of Media and Chair of the International Centre for Digital Content	Evaluation of Dementia Awareness "Train the Trainer" programme		3		
NML Foundation Trust	Prof Phil Redmond, CBE – Trustee	Museum of Liverpool Ceilings work Museum of Liverpool Steps and Terraces work World Museum Egypt Gallery	510  1,200  400			
University of Liverpool	Sir David Henshaw – Fellow	Sponsorship of the East meets West exhibition for one year May 16-May 17  Tuition and access to facilities for HIST582 module co-taught at NML and the University of Liverpool	13  1			

**National Museums & Galleries on Merseyside**  
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Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
NML Foundation Trust	Carmel Booth – Trustee	Museum of Liverpool Ceilings work Museum of Liverpool Steps and Terraces work World Museum Egypt Gallery	510 1,200 400			
University of Liverpool	Carmel Booth – Board Member	Sponsorship of the East meets West exhibition for one year May 16-May 17  Tuition and access to facilities for HIST582 module co-taught at NML and the University of Liverpool	13  1			
Co-Op Bank	Laura Carstensen – Non-executive Director, The Co-operative Bank plc	House of Memories	1			
Manchester School of Architecture – is a joint school of the University of Manchester and the Manchester Metropolitan University	James Chapman, Manchester School of Architecture – Visiting Professor	Oral History Training		1		
Environment Agency	Dr Clive Elphick – Board member (retired from NML 9/6/16)	Energy Efficiency Scheme		1		
Co-Op Bank	Heather Lauder – Director of Retail Banking	House of Memories	1			
NML Foundation Trust	Heather Lauder – Trustee	Museum of Liverpool Ceilings work Museum of Liverpool Steps and Terraces work World Museum Egypt Gallery	510 1,200 400			
Museums Associations Grant (Esmée Fairbairn)	Virginia Tandy – Consultant to Esmée Fairbairn Foundation	Sankofa Connections and Collections	54			

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
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**(b) Staff:**

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
International Council of Museums	David Fleming Chair – Finance and Resources Committee	Membership Fee		1		
International Council of Museums	Sharon Granville – Vice Chairman, INTERCOM, ICOM international committee on management	Membership Fee		1		
Liverpool City Council	David Fleming Culture & Tourism Select Committee – Advisory Member	Slavery Remembrance Day	5			
Liverpool Hope University	David Fleming - Visiting Professor	MA Co-ordinator's post – 1 day a week PB6, final quarter 15/16	2			
		Relationship Agreement for MA delivery & development	9			
		MA Co-ordinator's post – 1 day a week PB6, first and second quarter 16/17	2			
		MA Co-ordinator's post – 1 day a week PB6, third quarter 16/17	3			3
Marks & Spencer Plc	Louise Parnell – spousal connection	House of Memories (including carrier bag donations and CAF donation)	5			
Museums Association	David Fleming President/Associate	Subscriptions / Membership fees/ seminars & conferences		6	2	
Museums Association	Sharon Granville - Member	Subscriptions / Membership fees/ seminars & conferences		6	2	
Museums Associations Grant (Esmée Fairbairn)	David Fleming President/Associate	Sankofa Connections and Collections	54			
Museums Associations Grant (Esmée Fairbairn)	Sharon Granville - Member	Sankofa Connections and Collections	54			

## **21. Contingent Assets and Liabilities**

There are no contingent assets or liabilities.

## **22. Post Balance Sheet Events**

There were no material Post Balance Sheet Events.

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

## **23. Connected Charities**

Nine charitable trusts are connected to NML via a commonality of trusteeship and a close association for 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 capital 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.

This financial year the American Friends of the National Museums Liverpool account was closed and was not consolidated on the grounds that it is not controlled by NML, in addition the transactions were not material.

**National Museums & Galleries on Merseyside**  
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<b>Tomlinson Fund</b>				
<b>Statement of Financial Activities</b>	<b>Income</b>	<b>Capital</b>	<b>Total 2017</b>	<b>Total 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income from:</b>				
Investment income	24	-	24	24
<b>Expenditure on:</b>				
Governance costs	(1)	-	(1)	(1)
Charitable Activities	(3)	-	(3)	(3)
Depreciation	-	<u>(124)</u>	<u>(124)</u>	<u>(101)</u>
<b>Total</b>	<b><u>20</u></b>	<b><u>(124)</u></b>	<b><u>(104)</u></b>	<b><u>(81)</u></b>
Gains and losses on sale proceeds	-	(4)	(4)	(4)
Gains and losses on revaluation	-	45	45	5
<b>Net Movement in Funds</b>	<b><u>20</u></b>	<b><u>(83)</u></b>	<b><u>(63)</u></b>	<b><u>(80)</u></b>
Fund Balances at 1 April	224	971	1,195	1,275
<b>Fund Balances at 31 March</b>	<b><u>244</u></b>	<b><u>888</u></b>	<b><u>1,132</u></b>	<b><u>1,195</u></b>

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

**Year ended 31 March 2017**

<b>Summary</b>	<b>£000s</b>
Carrying value (market value) at beginning of year	662
Add:	
Additions to investments at cost	832
Less:	
Disposals at carrying value	(11)
Add:	
Net Gain on sales and revaluation	<u>41</u>
Carrying value (market value) at end of year	<u>1,524</u>

The above are all listed on the UK stock exchange.

The investments as at 31 March 2017 are categorised as follows:-

Fixed Interest	£161k
UK Equities	£1,010k
Overseas Equities	£303k
Alternatives	£50k

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 £Nil (2015/16 £122,000 2 transactions).

**National Museums & Galleries on Merseyside**  
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26. Museum Statement of Financial Activities	Unrestrict ed Restricted		Total 2017	Unrestrict ed Restricted		Restated 2016
	funds £000	funds £000		funds £000	funds £000	
<b><u>Income and endowments from:</u></b>						
Donations, grants and legacies	20,300	9,061	29,361	19,988	2,912	22,900
Charitable activities	836	-	836	2,170	-	2,170
Other trading activities	74	-	74	358	-	358
Investments	39	32	71	51	32	83
Other	-	-	-	-	-	-
<b>Total</b>	<b>21,249</b>	<b>9,093</b>	<b>30,342</b>	<b>22,567</b>	<b>2,944</b>	<b>25,511</b>
<b><u>Expenditure on:</u></b>						
Raising funds	336	-	336	336	-	336
Charitable activities:						
Care of collections	4,694	1,038	5,732	4,443	856	5,299
Care of buildings	7,917	3,034	10,951	7,701	2,728	10,429
Visitor services	5,037	248	5,285	3,749	108	3,857
Exhibitions	1,553	84	1,637	1,942	65	2,007
Education and research	2,265	102	2,367	2,052	58	2,110
Grants to third parties	-	-	0	2,440	-	2,440
Fees and charges activities of charity staff	149	-	149	375	-	375
Other trading activities	-	-	-	-	-	-
<b>Total</b>	<b>21,951</b>	<b>4,506</b>	<b>26,457</b>	<b>23,038</b>	<b>3,815</b>	<b>26,853</b>
<b>Net gains on investments</b>	-	41	41	-	1	1
<b>Net (expenditure)</b>	(702)	4,628	3,926	(471)	(870)	(1,341)
<b>Transfers between funds</b>	0	0	0	4	(4)	-
<b>Gains on revaluation of fixed assets</b>	8,151	3,499	11,650	2,026	1,320	3,346
<b>Other gains/(losses)</b>	-	-	0	-	-	-
<b>Net movement in funds</b>	<b>7,449</b>	<b>8,127</b>	<b>15,576</b>	<b>1,559</b>	<b>446</b>	<b>2,005</b>
<b>Reconciliation of funds:</b>						
Fund balances brought forward at 1 April	<u>118,675</u>	<u>118,139</u>	<u>236,814</u>	<u>117,116</u>	<u>117,693</u>	<u>234,809</u>
Fund balances carried forward at 31 March	<u>126,124</u>	<u>126,266</u>	<u>252,390</u>	<u>118,675</u>	<u>118,139</u>	<u>236,814</u>



**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2017**

**27. Prior Year Adjustment.**

We commissioned a full valuation of our estate in 2016/17 in line with our accounting policy. The valuation took account of plant and machinery normally associated with the valuation of land and buildings. There were items of such plant and machinery separately capitalised under 'permanent galleries' which resulted in a double counting of these assets. It was established that this practice had also been historic hence a prior year adjustment was required to adjust this and the 2015/16 Annual Report and Accounts has been restated. In addition a revaluation reserve has been added on the face of the Balance Sheet. The restatement is shown below.

**RESTATED CONSOLIDATED BALANCE SHEET as at 31<sup>st</sup> March 2016.**

	Notes	RESTATED 2016 £000	2016 £000	Restated 2015 £000
<b>Fixed assets</b>				
Tangible assets	6	211,873	213,453	211,343
Heritage assets	6a	<u>14,385</u>	<u>14,385</u>	<u>14,104</u>
		<b>226,258</b>	227,838	225,447
<b>Current assets:</b>				
Stock		226	226	238
Investments	24	662	662	679
Debtors	10	2,251	2,251	2,880
Cash at bank and in hand		<u>11,083</u>	<u>11,083</u>	<u>10,515</u>
		<b>14,222</b>	14,222	14,312
<b>Creditors: amounts falling due within one year</b>	11	<b><u>(3,219)</u></b>	<b><u>(3,219)</u></b>	<b><u>(4,021)</u></b>
<b>Net current assets</b>		<b><u>11,003</u></b>	<b><u>11,003</u></b>	<b><u>10,291</u></b>
<b>Total assets less current liabilities</b>		<b><u>237,261</u></b>	<b><u>238,841</u></b>	<b><u>235,738</u></b>
<b>Creditors: due after more than one year</b>	11	<b>(445)</b>	(445)	(445)
<b>Provisions</b>	12	<u>0</u>	-	(483)
<b>Total net assets</b>		<b><u>236,816</u></b>	<b><u>238,396</u></b>	<b><u>234,810</u></b>
<b>Represented by:</b>				
<b>Income funds</b>				
Revaluation Reserve	14	<b>62,043</b>		58,696
Restricted funds	14	<b>99,259</b>	118,139	100,134
Unrestricted funds:				
Designated funds	14	<b>70,357</b>	115,100	71,351
General funds	14	<b><u>5,157</u></b>	<u>5,157</u>	<u>4,629</u>
<b>Total funds</b>		<b><u>236,816</u></b>	<b><u>238,396</u></b>	<b><u>234,810</u></b>

