

# National Museums and Galleries on Merseyside Annual Report and Accounts 2018-19

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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## **Legal and Administration**

### **Status**

National Museums & Galleries on Merseyside (NMGM) was established as an incorporated Trustee Body by the Merseyside Museums and Galleries Order 1986. This 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).

NMGM is an exempt charity by virtue of Schedule 3 to the Charities Act 2011.

In 2003 the Board of Trustees adopted the operating name “National Museums Liverpool” (NML). NML has status as a Non Departmental Public Body (NDPB), sponsored by the Department for Digital, 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.

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).

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 (FRM), and the applicable standards as modified by the Accounts Direction, produced by the Secretary of State for Digital, Culture, Media, and Sport.

The ARA consolidates the ARA for the museum and the wholly owned trading company, National Museums Liverpool Trading Ltd (NMLT). Together these form the NML Group.

### **Trustees**

NML is governed by a Board of Trustees appointed by the Secretary of State for Digital, 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. The new Trustees are apprised of the current issues being faced by the organisation in each Directorate. 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. 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.

The Board of Trustees during the year comprised:

Sir David Henshaw (Chair)  
Carmel Booth  
Laura Carstensen  
James Chapman  
Heather Lauder  
Andrew McCluskey

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Philip Price  
Ian Rosenblatt OBE  
Virginia Tandy OBE  
Dr Nicola Thorp  
Sarah Dean - appointed 1 March 2019  
David Fleming - appointed 1 March 2019  
Max Steinberg - appointed 1 March 2019

Associate Trustee – Michelle Charters – appointed 13 December 2018

**Trustee Committees**

The following Trustee Committees met during the year:

Audit Committee  
Finance Committee  
Remuneration and Nomination 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.

**Registered Office and Professional Advisers**

**Principal and Registered Office of NML**

World Museum  
William Brown Street  
Liverpool  
L3 8EN

**Bankers**

National Westminster Bank Plc  
2-8 Church Street  
Liverpool  
L1 3BG

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

**Trading Company**

BWMacFarlane & Co  
Castle Chambers  
43 Castle Street  
Liverpool

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SW1W 9SP

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)*

**Management**

During the year, the senior management of the organisation changed extensively, with a new Director and Accounting Officer appointed, changes to the management structure, changes to people in post and periods of interim cover. The senior management of NML was:

Director and Accounting Officer, Laura Pye - appointed 13 August 2018

Interim Director and Accounting Officer, Louise Parnell - until 12 August 2018

Interim Director of Finance, David Spilsbury - until 26 August 2018;

Director of Museums, Janet Dugdale - appointed 1 November 2018;

Director of Galleries and Collections Care, Sandra Penketh - appointed 1 November 2018;

Director of Engagement (previously Education and Visitors), Carol Rogers;

Director of Commercial and Business Development – Melanie Lewis<sup>1</sup>;

Director of Development, Andrew Evans;

Director of Business Resources (includes finance, estates and HR), Louise Parnell - from 13 August 2018;

Director of Collections and Estates, Sharon Granville - left 30 May 2018;

Director of Human Resources, James Best - left 31 January 2019.

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

- World Museum - William Brown Street, Liverpool;
- Walker Art Gallery - William Brown Street, Liverpool;
- Merseyside Maritime Museum – Royal Albert Dock, Liverpool;
- International Slavery Museum – Royal 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 – Royal Albert Dock, Liverpool.

**Human Resources**

NML places great importance upon people being at the heart of the organisation, ensuring staff are engaged, enabled and empowered to fulfil their potential. NML recruits staff through fair and open competition, and is committed to selection on merit.

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

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 NML formally recognises two trade unions: Prospect, and the Public and Commercial Services Union (PCS). A weekly e-newsletter is issued covering current events and activities.

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<sup>1</sup> The Director of Commercial and Business Development is employed and paid by NMLT.

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#### **Persons with Access Requirements**

NML and its subsidiary trading company continue to apply established policies and processes to enable everyone to access the same opportunities. NML has a number of forums under NMLs THRIVE initiative, including equality, diversity and inclusion and mental health and disability, where staff are actively encouraged to become involved in discussions policies and processes affecting employment, training, and personal development, of people with disabilities. NML facilitates 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. Access standards for display, design, and public use of buildings, have been produced, and are available to staff in electronic form.

#### **Staff Resource Strategy**

NML determines its staffing requirements in the short, medium and longer-term. NML continually reviews what we do, and how we work, across all functions, in order to ensure we are resourced appropriately.

#### **Volunteer Programme**

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

NML engaged 201 volunteers in 2018/19 (2017/18 - 210).

#### **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.

## **Director's Statement**

I joined National Museums Liverpool in August 2018, so I take no credit for the incredible year we have had but I am immensely proud of what the team achieved in 2018/19.

National Museums Liverpool is a group of very different and wide-ranging museums and galleries; established more than 150 years ago as a complement and counterbalance to the museums in London and brought together in 1986 as a nationally-funded group because of the global importance of our collections and as a symbol of hope and regeneration. We are eight exceptional museums and galleries, sharing important stories from ancient times to today through more than four million objects, and this year we have shared those stories with more people than ever before.

In 2018 World Museum was England's most visited museum outside of London, thanks to the overwhelming success of China's First Emperor and the Terracotta Warriors, which attracted more than 610,000 visitors, making it one of the best attended exhibitions in the UK. The Museum of Liverpool was England's third most visited museum outside of London, following the heartfelt response to its powerful exhibition on love and creativity, Double Fantasy: John & Yoko. The Merseyside Maritime Museum was the fourth most visited outside of London, attracting 897,415 visitors. The Walker Art Gallery also had its most successful year since 2008, when Liverpool was Capital of Culture, thanks to the huge popularity of Slaves of Fashion: New Works by The Singh Twins at the start of the year and the biannual celebration of contemporary painting, the John Moores Painting Prize.

Our Commercial and Fundraising teams have also been able to maximize the benefit of increased footfall. Our shops, cafes, events and tickets business have had their best year ever, turning over £10 million, and our Fundraising team has facilitated donations to increase to their highest ever levels, up 22% on the year before.

Our Education offer has continued to be popular with more than 155,000 children visiting with a school group, and more than 500,000 children or adults taking part in our structured offer of activities or events across our museums and galleries. This year we have also implemented our autism strategy across NML which has included relaxed mornings in our venues; workshops for our front of house colleagues and a couple of supported Internships; launched Storywalkers, our new learning programme specially designed to support language and literacy development in 0-7 year olds; and continued with the amazing success of our House of Memories programme, which this year spread to the Highlands of Scotland and Minnesota, with London and Singapore to come.

None of this is possible without the dedication and professionalism of the whole team here at NML. Since arriving I have been impressed by their commitment and their ability to get the job done.

NML is at an exciting moment, this year's success has proven what we can achieve. We want to be repeating and building on that success in terms of visitor figures and commercial business year on year, whilst at the same time focusing on what makes NML unique - our eight different museums, providing different experiences to different audiences, but combining to create memorable experiences for everyone, which challenge expectations. The "for everyone" part of that mission is massively important to us and by 2030 we want to have achieved some very clear goals:

- We will have the most representative audience and colleagues' profiles within the museums sector in the UK.
- We will engage over ten million people each year: more than four million visitors to our



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museums and galleries and a further six million through digital engagement, touring exhibitions and outreach.

- We will be a place where people want to work, are happy to work and proud to work.
- Together we will generate over £50,000 a day, more than half our turnover, through commercial business, grants and gifts.
- We will ensure that we provide great facilities to look after our valuable collections and colleagues, with accommodation fit for the next 30 years.
- All schools in the Liverpool City Region will visit at least one of our museums and galleries each year.
- People will recognise us as a valued leader of cultural and economic growth for the city, city region and north of England, and as one of the world's finest museum groups.

Over the next 12 months we have some great exhibitions and public programmes planned with Charles Rennie Mackintosh: Making the Glasgow Style already doing really well at the Walker Art Gallery and Rembrandt in Print followed by Matisse: Drawing with Scissors at the Lady Lever this year to name just three. However, we also will be moving forward significant pieces of work, such as creating a masterplan for our Waterfront venues, developing our external relationships, and building on the success of our fundraising. We will focus on what each museum or gallery brings to the whole and how we can develop this to ensure they celebrate their unique identities and collections, play to their strengths, delight their different audiences and make us proud.

I am looking forward to the next 12 months and beyond. NML is an amazing group of museums and galleries and I am excited to see what we can achieve moving forward.

**Laura Pye**  
**Director and Accounting Officer**

## **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 shaped our objectives was “To be the world’s leading example of an inclusive museum service.”

A three-year strategic plan was introduced in 2016/17 and was updated in 2018/19. It responded to the changing external environment and set out NML’s strategic objectives and delivery plan. In developing these objectives, and planning our activities, the Trustees considered the Charity Commission’s guidance on public benefit.

Our world-class collections sit at the core of NML and act as the key driver for us in achieving our objectives. It is fundamental that we care for our collections, ensure the public has access to them and that we use these exceptional items to stimulate discussion, learning and enjoyment. We will see further change to what we do and how we do it, but the collections will remain at the core of our efforts.

In addition to our core collections imperatives above, our objectives for 2018/19 were:

1. To deliver a socially inclusive, educational, ethical, diverse, and innovative museum service that delights and inspires our ‘in-venue’ and digital visitors.
2. To ensure that National Museums Liverpool has a diverse workforce and is a place where people want to, and are proud to, work.
3. To be ambitious in our income generation plans and reshape our resources where necessary to remain financially sustainable.
4. To develop appropriate partnerships which offer strategic development opportunities regionally, nationally and internationally.
5. To engage with the UK Government to maximise the impact National Museums Liverpool has on soft power initiatives.
6. To engage with the Liverpool City Region and the City to ensure culture continues to drive economic growth, positive social impact and placemaking in the region.

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 page 32.

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

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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.
- Have 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.

Today as an organisation we are **Welcoming, Honest** and **Educational**, and as a team we are **Trustworthy, Respectful** and **Inclusive**.

### **Achievements and Performance**

We made good progress on achieving our six 2018/19 strategic objectives:

*1. To deliver a socially inclusive, educational, ethical, diverse, and innovative museum service that delights and inspires our museum, gallery and digital visitors.*

We welcomed 3,965,453 visits to our museums and galleries in 2018/19. For the second year running, this represented National Museums Liverpool's highest ever annual visitor figure, aided by a popular and high profile exhibitions and events programme. The success of China's First Emperor and the Terracotta Warriors, which ran until October 2018 at World Museum, and the Double Fantasy exhibition at the Museum of Liverpool, contributed to huge increases in visitor numbers to those two museums alone. This resulted in three of our museums being placed among the most visited in the country.

Our digital audience was also strong, with 2,318,177 website visits, and a growing social media presence, with 241,196 followers overall (14% growth). Views on YouTube exceeded 4.4m, with a 6% growth in subscribers.

Marking the centenary of the end of the First World War, collections which represented diversity and lesser-known aspects of the War, were published online. Other new online collections included highlights from the Americas, Ancient Greeks and Etruscan collection. The entire Walker Art gallery painting collection on display has been digitised and these will go live in 2019/20.

An inclusive events programme throughout the year included a talk on Coretta Scott King for International Women's Day; the launch of a new film produced by Autism Together to celebrate the charity's 50th anniversary; our celebrated annual Slavery Remembrance Day events; and a series to mark the Vote 100 centenary.

Building on previous audience development activity, the Walker continued its relationship with LGBT+ youth groups GYRO and THE Action Youth, operated by Liverpool's Young People's Advisory Service, via a series of creative workshops preparing for Liverpool Pride 2018. A new Queer Art History tour was developed at the Lady Lever Art Gallery, the first of its kind for the venue.

A busy schools programme saw an increase in the number of schoolchildren visiting throughout the year. Education activity included a drugs awareness fortnight delivered by the Seized team, engaging 750 year 8 pupils to explore the consequence of drug use and misuse. Teaching students from Liverpool Hope University also spent a week with the team,

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observing sessions and developing resources to improve drugs awareness. This was followed by an Animals in Danger Day, with 1,454 participants hearing from Border Force officers from the Convention on International Trade in Endangered Species (CITES) team.

November saw the launch of Storywalkers, the Walker Art Gallery's new language and literacy initiative for children under 7. Its aim is to reduce the high number of children who enter and leave primary school behind in their reading, by engaging children and their families in a range of activities at the Walker Art Gallery.

Elsewhere at the Walker, a new permanent collection display opened, celebrating 60 years of the John Moores Painting Prize, by bringing together prizewinning paintings since 1957 onwards, including a loan from the Victoria Gallery at the University of Liverpool.

Supported by a grant from the National Heritage Lottery Fund (NHLF) a new display, Galkoff's and the Secret Life of Pembroke Place opened at the Museum of Liverpool, in partnership with Liverpool School of Tropical Medicine. It was the culmination of research, archaeological digs, a painstaking conservation project and the assistance of more than 70 volunteer.

Our Ethics Group meet monthly and reports to leadership team quarterly or more frequently if required. It is an internal advisory group that provides guidance and makes recommendations on ethical issues arising out of NML's work. The Ethics Group promotes good ethical working practice for all staff and Trustees.

*2. To ensure that National Museums Liverpool has a diverse workforce and is a place where people want to, and are proud to, work.*

We are modernising the approach of the HR team, to support and advise managers to get the best from our people to deliver our strategic plan. The aim of the post holder was to understand where we are now, where we want to be and to shape and enable the HR team, as well as the wider organisation, to build on our strengths and identify improvements and opportunities to achieve our goals into the future.

The first cycle of the new performance development and review (PDR) process incorporating the behaviours and competency framework was completed this year. By reviewing both what we do and how we do it, together with identifying training and support, this helps us recognise and improve performance.

During the year we partnered with an external training organisation to support our focus on internal culture and climate. Senior managers benefited from a 360 degree assessment focused on leadership style, followed up by coaching sessions.

All colleagues were required to attend training in equality, diversity and inclusion and mental health awareness.

The annual colleague engagement survey continues to be our key measure of the health of the organisation, and is the platform used by the Thrive engagement champions to develop and update a cultural change action plan. Alongside the engagement forum our Equality, Diversity and Inclusion Group (EDIG) work across the organisation to continuously improve our approach to this key priority, and to reflect the values strand of our culture.

The HR team regularly looks at ways of better supporting colleagues to improve health and wellbeing. In addition to our employee assistance programme and occupational health provision we have partnered with an organisation called Able Futures which specifically provides mental health support. The service is free and confidential. Able Futures offers a

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range of services, delivered by qualified health care professionals.

A number of activities began during the year to provide opportunities for internships across the organisation. Through partnership with Liverpool City Council and Liverpool Cultural Education Partnership's SLICE programme and Sandfield Park School, we are hosting two supported interns to support young disabled people into employment. The interns started at the Maritime Museum and will complete a full year's placement in Visitor Services, Education and Collections Management.

*3. To be ambitious in our income generation plans including fundraising and reshape our resources where necessary to remain financially sustainable.*

National Museums Liverpool is redefining itself as a cultural business to ensure that we can continue to achieve our strategic aims whilst remaining financially sustainable.

#### **Commercial income growth**

Commercial income (income from retail, café and events trading) in 2018/19 was the highest the organisation had ever achieved standing at £6.8m. In most part this was due to the blockbuster exhibition China's First Emperor and the Terracotta Warriors, however, there were significant successes across NML which contributed to the success.

Spanning two financial years, the China's First Emperor and the Terracotta Warriors exhibition welcomed in excess of 600k visitors. The project in total delivered £6m in ticketing income and £2.2m in Retail sales with the majority realised in 2018/19 financial year. Due to the investment in 2017 to the café, shops and event facilities in World Museum a further £1m in income was realised.

The Double Fantasy exhibition at Museum of Liverpool had a strong commercial performance, led by a bespoke pop-up shop and exclusive merchandising range. Lady Lever Art Gallery benefited from the popular Edo Pop and Picasso exhibition which delivered growth on the Retail and Catering income.

The Events department continued to grow surpassing all previous income targets. The in-house events launched a new band called 'Events Hosted by National Museums Liverpool' to support its growth and diversification in the market. The team also won 'Excellence in Business Tourism' at the Liverpool City Region Tourism Awards for the fifth year out of seven.

A new concept for the Maritime Dining Room was launched associated with the Hosted Events brand which saw bespoke ticketed food events in response to changes in the local and national markets. This diversification of the business has proved both efficient for the business and popular for the customer base.

The box office continues to grow by support the wider organisation to deliver both free and paid for events to the public. The organisation now has ticketing webstore for each venue, successfully selling tickets for events and exhibitions for this financial year and the next. Work continues to improve the customer journey and drive efficiencies across the business.

#### **Business Development**

Investment in the Business Development department allowed the organisation to commercialise its assets further, for example in the planetarium, education bookings and ticketed events. Ongoing development work continues to grow these and other revenue streams further.

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The Business Development team has made significant progress in rolling out the Masterplan for the organisation along with the Income Action Plan. This will enable the team to deliver a highly functioning cultural business and realise the strategic plan.

#### **Growing Philanthropic Support**

Donations, grants and sponsorship play an increasingly important part in the sustainability of National Museums Liverpool and we are extremely grateful to all of our patrons, members, donors and supporters for their gifts over the last year.

Our visitors gave a record amount of donations in our venues and in March we introduced contactless donation boxes to make donating easier than ever. Our membership grew to over 5,000 members thanks to increased interest in our charging exhibitions: China's First Emperor and the Terracotta Warriors and Charles Rennie Mackintosh: Making the Glasgow Style.

Significant grants, donations and sponsorship have also been received this year from Lord Leverhulme's Charitable Trust, Liverpool John Lennon Airport, Hope Street Hotel and David M Robinson.

The House of Memories programme has been supported by Arts Council England, The Ronson Foundation, Barnett Waddingham, J B Leitch, Castanea Trust, Financial Planning Corporation and John Rayner Charitable Trust.

#### *4. To develop appropriate partnerships which offer strategic development opportunities regionally, nationally and internationally.*

In September 2018, the Minnesota Historical Society launched the House of Memories programme at the Minnesota History Center including a US version of National Museums Liverpool's award-winning My House of Memories app, dementia awareness training workshops, resources and activities. The National Museums Liverpool team has also successfully partnered with High Life Highland, Museums Galleries Scotland and the Highland Museums Forum to deliver House of Memories dementia awareness training to the Highland region of Scotland. New app content is also in development, representing content from Highland Museums Forum's collections.

The Walker Art Gallery's Murillo altarpiece and its preparatory oil sketch was lent to the Museo de Bellas Artes in Seville in November 2018. This was the first time that the paintings have been back in Seville since the 1810s and the first time that the large altarpiece has left the Walker since it was acquired in 1953.

The annual conference of the Federation of International Human Rights Museums (FIHRM), led by National Museums Liverpool, took place in September 2018. Janet Dugdale, Director of Museums, delivered a keynote speech on contested contemporary collections.

The Walker Art Gallery was pleased to host the national launch of the Big Draw competition and accompanying awards ceremony in September 2018. In November, the Gallery hosted The Gay Times awards, in recognition of National Museums Liverpool's ongoing commitment to its work on museum collections and LGBT+ issues. This was the first time the event had been held outside London.

Charlotte Keenan McDonald joined the Arts Council Collection Acquisitions Committee and worked alongside fellow committee members including Sir Nicholas Serota and Anthea Hamilton, to acquire new work for their collection.

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The Lady Lever Art Gallery's partnership with the University of Leeds, School of Fine Art, History of Art and Cultural Studies, progressed during the year. The project, Sold! Year of the Dealer, which focuses on research into antique dealers, will result in a trail at the Lady Lever Art Gallery, and a series of events. A selection of objects will also be loaned to the Sold! exhibition, to be held at the Bowes Museum in 2019.

The Museum of Liverpool hosted the "Rethinking Disability: What needs to change in museums and galleries?" symposium with 150 delegates attending.

*5. To engage with the UK Government to maximise the impact National Museums Liverpool has on soft power initiatives.*

In addition to our achievement previously cited with House Of Memories and Terracotta Warriors, a reciprocal loan agreement with the Instituto Nacional de Antropología e Historia, Mexico City was fulfilled. 105 objects travelled to their exhibition Beauty and Virtue: English collecting of Classical Art in the XVIII Century, 20 December 2018 to 28 April 2019. The opening event was attended by National Museums Liverpool's Director, Laura Pye.

National Museums Liverpool staff took part in a British Council-funded knowledge exchange programme. Meeting with colleagues from the Memorial to the Resistance, the Immigration Museum, Museum of Afro-Braxil, Football Museum and the Pinocateca Art Gallery, the event offered opportunities to discuss future collaborations.

Together with the wider culture and creative sector in the Liverpool City Region National Museums Liverpool is contributing to the development of the British Council Global Cities Plan, which recognises the global force of cities and the role that culture can play.

Janet Dugdale, Director of Museums, spoke alongside round-the world sailor Robin Knox-Johnston to welcome VIP guests and sponsors to the finish of the Round the World Clipper Race in July 2018. Tracey Crouch, Minister for Sport and representatives of GREAT Britain campaign were among the guests at the Museum of Liverpool.

World Museum hosted an academic delegation from the Shaanxi Provincial Cultural Relics Bureau in September 2018. Professor Xu Weihong gave an illustrated presentation to over 40 NML staff and academics from the University of Liverpool on 'The City and Warriors of the First Emperor'.

*6. To engage with the Liverpool City Region and the City to ensure culture continues to drive economic growth, positive social impact and placemaking in the region.*

In March 2019, National Museums Liverpool published an invitation to tender to create a masterplan for the organisation's buildings and public realm on Liverpool's waterfront. Through the process, we hope to see interesting ways in which we can open up the city's quaysides, some of which are currently not accessible to the public. We will work to develop a strong, connected vision for how the spaces could be used to complement the stories we tell in the Merseyside Maritime Museum, Museum of Liverpool and International Slavery Museum.

Continuing our work to strengthen links with the Higher Education sector, we have signed a Memorandum of Understanding with the University of Liverpool, and are beginning to plan joint projects, including examining the potential for joint storage facilities.

During the year we worked closely with city partners such as VisitLiverpool, Culture Liverpool,

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Liverpool ONE, Royal Albert Dock and St George's Quarter to promote our museums and galleries. Recent activity has included competitions, joint promotion of exhibitions, involvement in city-wide campaigns and the Walker Art Gallery acting as a host venue for the city's International Weekend of Wellbeing.

An Arts Council England-funded collaboration between Happy Older People, FACT and Open Eye Gallery was launched in September 2018. The two year project reaches out to people aged over 60 from across the Liverpool City Region through socially-engaged arts activity.

As part of National Museums Liverpool's involvement in the Inclusive Cities Taskforce Group, led by Liverpool City Council, Liverpool's Ethnic Minority and Traveller Achievement Services' (EMTAS) Race Equality Plan was launched at the International Slavery Museum.

A partnership between the Liverpool Cultural Education Partnership and the International Slavery Museum (Shaping Futures project) helped to raise aspirations for young people from the West Derby area, linking them with possible career paths in the cultural sector. More than 2,800 free tickets to the China's First Emperor and the Terracotta Warriors exhibition were distributed to under-represented and disenfranchised communities across the Liverpool City Region. Groups who benefited included Runcorn Veterans' Association, KIND, Age Concern and Amadudu Women's Refuge.

In May, the Museum of Liverpool, Merseyside Maritime Museum, International Slavery Museum, Walker Art Gallery and World Museum all took part Light Night, a city-wide event, organised by Open Culture. Choirs performed in the Museum of Liverpool atrium and visitors had the opportunity to visit the exhibitions Double Fantasy: John & Yoko and China's First Emperor and the Terracotta Warriors after normal opening hours.

The Lady Lever Art Gallery supported a project managed by the Port Sunlight Village Trust. The project called Drawn together, Creating a Shared Digital Archive of Port Sunlight Drawings will see the digitisation of drawings from Bolton library and museum service, Unilever archives, Wirral archives and the Lady Lever's collection, combine to create an online resource of architectural drawings.

Donna Young, curator of World Museum's Herbarium, co-ordinated an exhibition for the Liverpool Biennial at the University of Liverpool's Victoria Gallery and Museum. The display featured 46 anatomical plant models from National Museums Liverpool's collection, made for display and teaching purposes by the Berlin firm of R. Brendel & Co around the turn of the 20th century.

### **Exhibitions**

The following exhibitions opened during the year:

#### **Sudley House, Model Image: fashion and photographs from the 1950s, 20 April 2018 to 6 June 2019**

The elegance and glamour of the 1950s is captured in this exhibition, exploring the life of one of the top British models of the era, Liverpool-born June Duncan. The exhibition previously showed at the Lady Lever Art Gallery from 20 October 2017 to 15 April 2018.

#### **Lady Lever Art Gallery, Whistler & Pennell: Etching the City, 4 May to 7 October 2018**

This exhibition captures the changing landscape of New York and London in the final years of the industrial revolution, featuring 38 prints from two of the most influential and innovative etchers of their day - James McNeill Whistler (1834-1903) and Joseph Pennell (1857-1926).

#### **Museum of Liverpool, Double Fantasy: John & Yoko, 18 May 2018 to 1 November 2019**



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Exploring the personal and creative lives of John Lennon and Yoko Ono and their ongoing campaign for peace, this exhibition was extended for six months, following a great response from visitors. Featuring personal objects alongside art, music and film produced by both John and Yoko, the exhibition is drawn from Yoko's private collection, some of which has never been displayed before.

### **Walker Art Gallery, John Moores Painting Prize, 14 July to 18 November 2018**

Sixty paintings were selected from 2,700 entries for this year's 60th anniversary exhibition, celebrating the very best of British painting. First Prize was awarded to Jacqui Hallum for her painting King and Queen of Wands (2017). Her work was selected by a panel of jurors including the artists Monster Chetwynd, Lubaina Himid CBE, Bruce McLean and Liu Xiaodong, and curator Jenni Lomax. In celebration of the anniversary year, Jacqui was offered the additional prize of a three-month fellowship at Liverpool John Moores University, together with an in-focus solo display at the Walker Art Gallery in 2019. Four shortlisted artists each received a prize of £2,500.

### **Walker Art Gallery, Sean Scully, 14 July to 14 October 2018**

In this retrospective exhibition, Scully revisited his early works from 1969 to 1974, the first time they have come together since Scully's Newcastle University degree show in 1971. The exhibition also celebrated his connection with Liverpool, where he was a prize winner in the John Moores Painting Prize in 1972 and 1974.

### **Walker Art Gallery, Art Works, 20 July to 31 August 2018 (display)**

July saw the return of the exhibition Artworks (formerly called Take One Picture), a showcase of work created by regional schools. The Art Works scheme is a partnership between the Walker Art Gallery and Edge Hill University.

### **Walker Art Gallery, Leo Fitzmaurice; between me, you and everything else, 29 September 2018 to 17 March 2019**

This immersive installation of portraiture formed part of the Arts Council Collection National Partners Programme.

### **International Slavery Museum, Journey to Justice, 5 October 2018 to 7 April 2019**

The exhibition shows how the US civil rights movement helped to move people in the UK and the rest of the world to fight for their rights and make significant social and political change.

### **Quentin Blake & John Yeoman: fifty years of children's books, 19 October 2018 - 3 March 2019**

A touring exhibition from the House of Illustration, exploring Quentin Blake's half century-long artistic relationship with children's author John Yeoman.

### **Merseyside Maritime Museum, On the Waterfront, from 25 January 2019**

Liverpool's docks transformed the fortunes of the city. Their story is a 300 year journey that turned a small, regional port into one of the world's great maritime centres. From the opening of the world's first commercial wet dock in 1715, this exhibition documents the changing fortunes of Liverpool's waterfront and the impact the docks have had on the city.

### **Walker Art Gallery, Leonardo de Vinci: a life in drawings, 1 February to 6 May 2019**

The Walker hosted an exhibition of 12 drawings as part of the nationwide event marking the 500th anniversary of the artist's death, in partnership with the Royal Collection Trust.

### **Walker Art Gallery, Charles Rennie Mackintosh: making the Glasgow Style, 15 March to 26 August 2019**

Spanning the lifetime of the artist and his contemporaries between 1890 and 1920, the

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exhibition explores the movement that became known as the Glasgow Style, presenting more than 250 objects from private and public collections, in partnership with Glasgow Museums.

#### **Lady Lever Art Gallery, Fresh Perspectives (display), 30 March 2019 to 6 May 2019**

Artists, makers and creatives of the future had a chance to display their work in a national gallery, in this exhibition of work from GCSE and A level students from five Wirral schools.

In addition, we had two touring exhibitions during the year:

**Eye for Colour**, the interactive science exhibition which explores the world of colour, was on tour at the Horniman Museum in London from 9 February to 28 October 2018.

**Slaves of Fashion**: new artwork by the Singh twins toured to Wolverhampton Art Gallery from 21 July to 16 September 2018.

#### **Fundraising Approach**

Fundraising is led by the Leadership Team, Senior Management and the Development Office, supported by NML Trustees. The Development Office supports the fundraising function across the organisation and raises income from the public sector, trusts and foundations, companies and individuals (including major donors, public appeals, donation boxes, legacies and NML's Patrons' and Membership Schemes).

We engaged the services of a professional fundraiser, Martin Kaufman, Principal of Martin Kaufman Philanthropy 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 his work was monitored through reporting to the Leadership Team and Board of Trustees.

NML and Martin Kaufman follows the Fundraising Regulator's Code of Fundraising Practice and all current UK and EU data protection law. 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 sense approach to fundraising, treating our donors fairly and making sure they can make informed decisions about donations. There was no failure to comply with the Fundraising Regulator's Code of Fundraising Practice in 2018-19. In addition, neither NML, nor anyone acting on our behalf, has received any complaints regarding fundraising.

#### **Plans for Future Periods**

This year's success with China's First Emperor and the Terracotta Warriors and Double Fantasy: John & Yoko has proven what we can deliver as a service. To build on this success in the future and ensure we create memorable experiences for everyone, which challenge expectations we will focus on five aims:

##### **Be more representative**

National Museums Liverpool prides itself on being for everyone, but for this to be true our colleagues, audiences and displays need to be representative of the communities that we are here to serve.

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### **Be more self-sufficient**

We will transform our business model and embrace the digital revolution, to ensure we generate more income and offer the greatest value for money of any national museum. We will focus on our commercial business, grants and gifts to ethically generate more income which can be invested in our public offer.

### **Provide memorable experiences**

Across our museums and galleries, and digitally, we have hugely diverse collections, each of which offers different things to different audiences. By allowing our individual museums and galleries to shine we improve the whole organisation and National Museums Liverpool becomes unbeatable. We will ensure each of our museums and galleries has the highest standard of offer; that as well as wonderful exhibitions and displays, our cafes, shops, community programmes and public spaces are also exceptional and that our collections and colleagues have all the facilities they need.

### **Partner and influence**

We will work with a wide range of partners to maximise the impact of National Museums Liverpool in our region, nation and across the world. We will contribute to our city region through growing the visitor economy, placemaking and enhancing education, health and social care. We will be the partner of choice for businesses and will continue to use our collections to create positive social impact. We will represent and promote the best of the UK museum sector to the World.

### **Engage and empower**

We will build an organisational culture which embeds trust, respect and inclusion. People will remain at the heart of our organisation. Supported by our THRIVE programme, colleagues will be engaged and empowered to drive and enable National Museums Liverpool to continually change and evolve.

We will develop annual action plans, and KPIs will also be developed, linked to our strategic aims, so that we ensure that we achieve our overall vision by 2030.

## Financial Review

### Overview

NML receives the majority of its revenue and capital funding from the DCMS, in the form of Grant-in-Aid (GiA). In 2018/19 NML received revenue GiA funding of £18.3m (2017/18: £18.3m) in addition to capital GiA of £1.5m (2017/18: £1.5m).

The consolidated revenue free funds are shown below. The surplus for the year was £3.3m (2017/18: loss £0.5m) resulting in a total revenue free fund balance of £8.8m as at 31 March 2019 (2017/18: £5.5m).

	2018/19	2017/18
	£000	£000
Income and endowments		
Grant in aid DCMS	18,266	18,266
Donations and legacies	475	308
Charitable activities	5,831	2,242
Other trading activities	6,406	4,248
Investment income	68	23
<b>Total</b>	<b>31,046</b>	<b>25,087</b>
Expenditure		
Raising funds	678	459
Operating expenditure (excl depreciation)	22,033	20,885
Other trading activities	5,088	4,262
<b>Total</b>	<b>27,799</b>	<b>25,606</b>
Net gains/ (losses) on investments	89	-
Net (expenditure)/income	3,336	(519)
Transfers between funds	(67)	(25)
Net movement in funds	3,269	(544)
Fund balances brought forward at 1 April	5,499	6,043
<b>Balances carried forward at 31 March</b>	<b>8,768</b>	<b>5,499</b>
The balance on free income funds comprised:		
Collection purchase fund	3	3
Border force admissions	74	74
Academic publications	198	199
General funds	8,493	5,223
<b>Balance at 31 March</b>	<b>8,768</b>	<b>5,499</b>

In the SoFA, funds grew by £1.0m (2017/18: £20.0m). Net expenditure, before transfers and gross indexation of tangible fixed assets for the year, showed a loss of £1.2m (2017/18; loss £3.8m). The revaluation of land and buildings as at 31 March 2019 produced an unrealised gain of £2.2m (2017/18: gain £23.8m).

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#### **Reserves Policy**

The consolidated free income revenue reserve available at 31 March 2019 was £8.8m (2017/18: £5.5m). This is inclusive of designated funds of £0.3m (2017/18: £0.3m) and the general fund £8.5m (2017/18 £5.2m). The General fund includes £0.3m (2017/18: £0.3m) which is the fixed asset representation of the subsidiary trading company. The resulting free income revenue reserve representation is £8.2m (2017/18: £4.9m).

As part of the annual planning and budget setting process the Trustees review and approve the level of free reserves appropriate to the scale, complexity, and risk profile of NML.

NML has a degree of inherent funding uncertainty as 41% (2017/18 31%) of our income is from a range of income streams which are less predictable and more volatile than GiA. There are also financial risks associated with capital projects and unforeseen liabilities.

In addition to the loss of the income, any reduction in GiA funding would increase our exposure to this volatility. Therefore, any potential for future reductions is a significant risk. In addition, in the forthcoming year the UK Government intends to undertake a Spending Review, which increases the risk of a reduction in GiA.

Adequate free reserves need to be held to ensure NML can manage these uncertainties. The Trustees therefore are committed to holding free reserves of between one and three months equivalent Grant-in-Aid (£1.5-4.6m). Free reserves in excess of £4.6m are available to support the implementation of the Strategic Plan.

#### **Capital Programme**

Our main projects this year have been at the Maritime Museums where an upgrade to the Sea Galleries is underway and improvements have been made to lifts. In addition, a project investing in the Aquarium at World Museum is underway. More significantly for future years, major projects have been initiated to develop a new strategy for the whole Estate and invest in the International Slavery Museum. These are at an early stage and future progress is contingent upon securing the funds for what would be a major investment.

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

In compliance with the Charities SORP (FRS102), NML appointed Deloitte LLP to carry out a desktop "red book" valuation of its land and buildings, as at 31 March 2019. This led to the revaluation of land and building assets shown in the accounts.

#### **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. The company accounts are 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 2018/19 NMLT made an operating profit of £1.6m (2017/18: £0.4m) all of which will be donated to NML.

#### **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.

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

No capital grants were due or received during the year in respect of the “*Seized! The Border and Customs Uncovered*”.

#### **Connected Charities**

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

#### **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 2018/19 88% (2017/18 88%) 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 2018/19, 59% of NML’s gross income derived from Grant-in-Aid from the DCMS (2017/18: 69%). 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.

DCMS commissioned a survey of the NML estate which was undertaken by Faithful and Gould in 2015/16 and updated in 2016/17. This identified a £24m 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 1990s and which still continue to have an impact; as well as the normal wear and tear on service infrastructures and building fabrics. We are now developing an Estates Strategy which aims to rationalise our holdings and use of the whole estate, which if it secures significant funding from the UK Government will in part address this past under-investment. In the absence of the full sum being available to address these issues a risk-based approach will continue to be 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 disclosure on derivatives and other financial instruments is contained in note 8.

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

#### **Donations made**

No charitable donations or political donations were paid.

#### **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

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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.

**Audit**

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2018/19. The audit fee in respect of this work was £59k (2017/18 £52k). BW Macfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £7k plus £5k for the production of the financial statements (2017/18: £6k and £4k respectively). This production of the financial statements was the only non-audit service provided by either of these auditors.

## **Sustainability Report**

### **Introduction**

NML remains committed to economic, social and environmental sustainability. The 2018/19 financial year has seen a new team arrive in the Estates Division and the beginnings of a review into how NML's approach to environmental sustainability will be developed.

### **Energy consumption and CO2 emissions**

The Estates team has continued to build in the work of previous years, introducing low energy lighting, ventilation and temperature control systems every time that a replacement becomes necessary. In 2018/19 this resulted in upgraded systems in the World Museum Aquarium cooling system and the Merseyside Maritime Museum Gallery lighting.

The Terracotta Warriors and Double Fantasy exhibitions imposed a considerable cooling and ventilation load on the World Museum and Museum of Liverpool respectively. This is the primary reason for the increase in energy consumption in comparison to previous years.

We are looking at how our energy consumption compares to that of other museums and galleries. Estates staff are active members of the DCMS Shared Solutions Group and we have also joined the Museum Facilities Network.

### **Waste minimisation and management**

NML is committed to minimising waste to landfill and to this end work closely with Bagnall & Morris and Veolia (following Veolia's appointment as waste contractor in December 2017) 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 and Veolia provide quarterly environmental reports.

99.9% of total waste is recycled /recovered. Bagnall & Morris/Veolia have confirmed that NML is doing all that is practically possible to maximise recycling efficiency at all sites, and that the current practice falls in line with 'TEEP' legislation. This states that individual waste stream collections should be provided if it is 'Technically, Environmentally, Economically, and Practically', beneficial.

### **Biodiversity and Natural Environment**

NML promotes the importance of biodiversity and the natural environment through our Endangered Planet gallery at World Museum, and through formal, and informal, education programmes.

The Clore Natural History Centre, Aquarium and Bug House at the World Museum have all been refurbished this year. The refreshed content will give staff new opportunities to engage with visitors on these important subjects.

### **Climate change adaptation and mitigation**

We have begun the process of producing an Estates Strategy which aims to consolidate NML's back of house functions into more concentrated facilities for staff offices and collections storage. The long term result will be that NML will be able to work from a smaller footprint of buildings that have more efficient and effective environmental management systems. This should drastically reduce our energy consumption and accompanying CO2 production. This work is detailed and long term and we do not expect to see reportable results for several years.



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The Strategy will probably remove staff car parks from Dale Street, thereby encouraging staff to use public transport or bicycles for their journey to work.

**Energy and water consumption**

NML's consumption of water has remained quite steady in the last year but we have now resolved a billing backlog which results in the increased cost that is illustrated in the table below.

Area		2015/16	2016/17	2017/18	2018/19
<b>Greenhouse Gas Emissions</b> (t CO <sub>2</sub> e)	Scope 1 – Gas	7,682	2,364	2,246	2,924
	Scope 2 – Electric		4,332	3,832	3,979
	Scope 3 - Travel			12	39
	CRC expenditure	£122,998	£115,102	£107,598	£97,594
<b>Estate energy</b>	Electricity consumption kWh	9,943,644	9,745,249	10,053,210	10,476,410
	Expenditure	£1,009,755	£975,641	£1,031,773	£1,206,036
	Gas consumption kWh	15,619,180	16,885,980	17,285,109	15,895,448
	Expenditure	£395,003	£361,218	£360,446	£364,199
Estate Waste	Total Amount –tonnes	213.7	221.0	193.4	175.3
	Total Expenditure	£ 52,033	£ 46,988	£ 45,268	£48,153
	ICT Waste (at zero cost) – tonnes )	1.6	0.5	0.0	0.0
	Waste incinerated with energy recovery - tonnes	71.4	93.8	107.1	100.8
	Waste to Landfill – tonnes	0.4	0.5	0.0	0.0
	Waste Recycled – tonnes	140.3	126.2	86.3	74.5
<b>Estate Water</b>	Consumption	34,682 m <sup>3</sup>	34,682 m <sup>3</sup>	23,056 m <sup>3</sup>	24,178.67 m <sup>3</sup>
	Expenditure	£60,010	£60,010	£40,744	£125,734

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**Sustainable procurement and construction**

NML purchases all of its utilities through frameworks set up by the Crown Commercial Services. This means that we benefit from the bulk purchasing power of amalgamated public sector organisations which allows the CCS to negotiate the lowest cost for supplies.

The CCS service also integrates energy from sustainable resources into its electrical supplies so that NML is able to access energy produced from low and zero carbon supplies.

Our in-house Production Team that constructs most of NML's exhibitions, procures materials sourced from local wholesalers. All timber products are Forest Stewardship Council certified, paints are low in Volatile Organic Compounds, and electrical goods, including lamps, are of the lower energy category.

## 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 Directorships described below, who are responsible for directing and controlling the major activities of NML as a whole.

There have been some changes to Directorships during the year shown in brackets below:

- Director and Accounting Officer;
- Director of Museums (previously Director of Collections);
- Director Of Galleries and Collections Care (previously Director of Collections);
- Director of Engagement (previously Director of Education and Visitors);
- Director of Business Resources (previously Director of Finance, now includes Human Resources);
- Director of External Affairs (new vacant post, subsuming Director of Development).
- Director of Commercial and Business Development – employed and paid by NMLT

The Chair and Board of Trustees neither received nor waived any remuneration for their services during the year (2017/18: nil). The emoluments of the NML Directorships are shown in the table below, which has been audited.

	Salary Including Performance pay 2018/19 <sup>1</sup> £'000	Salary Including Performance pay 2017/18 £'000	Pension Benefits <sup>2</sup> 2018/19 £'000	Pension Benefits <sup>2</sup> 2017/18 £'000	Total 2018/19 £'000	Total 2017/18 £'000
Laura Pye Director	70-75 (105-110) <sup>3</sup>	-	25-30	-	100-105	-
David Fleming Director	-	120-125 Plus bonus 10-15	-	200-205	-	335-340
Louise Parnell Interim Director/ Director of Business Resources	80-85	75-80	30-35	25-30	115-120	105-110
Sharon Granville Director of Collections and Estates	30-35 (85-90) <sup>3</sup>	85-90	0-5	15-20	30-35	105-110
Carol Rogers Director of Education and Visitors	80-85	85-90	30-35	20-25	110-115	105-110
James Best Director Of Human Resources	40-45 (50-55) <sup>3</sup>	50-55	5-10	20-25	45-50	70-75
Andrew Evans Director of Development	65-70	45-50 (55-60) <sup>3</sup>	25-30	15-20	90-95	60-65
David Spilsbury Interim Director of Finance	25-30 (65-70) <sup>3</sup>	5-10 (70-75) <sup>3</sup>	10-15	0-5	35-40	5-10
Sandra Penketh Director of Galleries and Collections Care	25-30 (60-65) <sup>3</sup>	-	10-15	-	35-40	-
Janet Dugdale Director of Museums	25-30 (60-65) <sup>3</sup>	-	20-25	-	45-50	-

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#### *Notes*

<sup>1</sup> No bonus was paid in 2018/19.

<sup>2</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>3</sup> Represents annualised salary as not employed for a full year in 2018/19.

<sup>4</sup> The Director of Commercial and Business Development is employed and paid by NMLT.

There were no benefits in kind received by the Directors. Further details on staff costs can be found in Note 5 of the financial statements.

The membership of the Remuneration and Nomination Committee for the year ending 31 March 2019 comprised:

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

During the year, the role of the Remuneration and Nomination Committee is to:

- determine the pay and conditions of the Director;
- review the performance of the Leadership Team;
- provide, through a panel selected by the chairman; an appellant recourse in disciplinary and grievance cases concerning senior staff for whom the Director is the reporting officer; and
- ensure accountability and transparency about NML's general remuneration policy.

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

In addition to the negotiated salary, the Director can benefit from a performance related annual pay award of £5000 which would be consolidated and pensionable if awarded.

The performance of the Director is assessed annually by the Trustees to determine the pay award. 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 2019. The Director was appointed on 13 August 2018 and any pay increase, if supported following assessment will be awarded from 1 April 2019.

There are a series of management teams which meet to consider a range of issues. These teams are the:

- Leadership Team (previously Executive Team);
- Extended Leadership Team and;
- Senior Management Team.

The Leadership Team consists of the Directorships including the Director of Commercial and Business Development employed by NMLT. The annual appraisals of the Leadership Team are countersigned by the Remuneration and Nomination Committee.

Extended Leadership Team is made up of the Leadership Team and a small number of Senior Management Team. They review performance against key measures, approve investment in developments and ensure NML is aligning action and priorities to our strategic plan.

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The Senior Management Team consists of the Extended Leadership Team plus a number of Venue and Operational Directors and their deputies. This team ensures plans and performance are translated and delivered through the wider organisation.

On average a 2.6% pay increase was awarded to most staff in line with the government's pay remit. The pay award was allowable under the 'Museums Freedoms' contained within the current management agreement.

The average number of days lost (per employee) due to sickness during the year was 10 days, or 4.3 days, excluding long term sick, in 2018/19, (11.51 days, or 4.46 days, excluding long term sick, in 2017/18).

#### **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. These figures are audited.

	<u>2018/19</u>	<u>2017/18</u>
Mid-point of Band of Highest Paid Director's		
Total Remuneration	£107,500	£137,500
Median Total Remuneration	£ 20,084	£ 19,260
Remuneration Ratio	5.35	7.14

In 2018/19, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,363 to £107,500 (2017/18, £16,302 - £137,500).

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.

#### **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: three 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.

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.

The following pension benefits information and table has been subject to audit:

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	Accrued pension at normal retirement age as at 31/03/19 and related lump sum £'000	Real increase in pension and related lump sum at normal retirement age £'000	CETV at 31/03/19 £'000	CETV <sup>1</sup> at 31/03/18 £'000	Real Increase in CETV £'000
Laura Pye Director	0-5	0-2.5	14	-	9
David Fleming Director	-	-	-	1,253	-
Louise Parnell Interim Director/ Executive Director of Finance	5-10	0-2.5	91	60	17
Sharon Granville Director of Collections and Estates	35-40 plus a lump sum of 105-110	0-2.5 plus a lump sum of 2.5-5	763	727	6
Carol Rogers Director of Education and Visitors	20-25	0-2.5	429	363	21
James Best Director Of Human Resources	15-20 plus a lump sum of 30-35	0-2.5 plus a lump sum of -2.5-0	226	192	0
Andrew Evans Director of Development	0-5	0-2.5	28	10	11
David Spilsbury Interim Director of Finance	5-10	0-2.5	111	97	6
Sandra Penketh Director of Galleries and Collections Care	20-25 plus a lump sum of 50-55	0-2.5 plus a lump sum of 2.5-5	398	365	29
Janet Dugdale Director of Museums	20-25 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0-2.5	374	353	14

*Note: <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.*

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic**, **premium**, **classic plus**, **nuvos** and **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 2018/19, employers' contributions of £2,037k were payable to the PCSPS (2017/18: £1,948k) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary

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bands (the rates in 2017/18 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 2018/19 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 2018/19 employers' contributions of £14k 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).

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 show pension earned in PCSPS or **alpha** – as appropriate. Where the employee has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.

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

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

The Scheme Actuary (Government Actuary's Department) last valued the scheme as at 31 March 2016. Increased employer contribution rates arising from the valuation were implemented from April 2019.

#### **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

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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.

**Redundancy and other departures**

The table below 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. The 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	
		2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
2	< £10,000	nil	nil	nil	nil	nil	nil
3	£10,000-£25,000	nil	nil	4	3	4	3
4	£25,000-£50,000	nil	nil	2	5	2	5
5	£50,000-£100,000	nil	nil	1	3	1	3
6	Total number of exit packages	nil	nil	7	11	7	11
7	Total resource cost / £000s	nil	nil	250	501	250	501

**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.



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**Other Staffing Information**

The following staffing figures are audited. The analysis of Staff Members with annual salaries over £60,000 is as follows:-

Annual Salary Band	2018/19 Number of FTE	2017/18 Number of FTE
£60,001-£70,000	4	-
£70,001-£80,000	-	1
£80,001-£90,000	3	2
£90,001-£100,000	-	-
£100,001-£110,000	1	-
£110,001-£120,000	-	-
£120,001-£130,000	-	1

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

Employee Configuration as at 31 March 2019		Employee Configuration as at 31 March 2018	
Director's Office	4	Director's Office (Inc. Museum Secretary)	5
Development Office	11	Development Office	10
Business Resources	67	Collections Management & Estates	131
Galleries & Collection Care	24	Education, Communities & Visitors	221
Museums	58	Human Resources	10
Visitor Engagement	262	Finance, IS & Procurement	34
NML Trading Ltd	<u>109</u>	NML Trading Ltd	<u>85</u>
	<u>535</u>		<u>496</u>

The increase is largely due to employing extra staff during the Terracotta Warriors exhibition.

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

Employee Configuration as at 31 March 2019		Employee Configuration as at 31 March 2018	
Staff on permanent contract	470	Staff on permanent contract	448
Staff on fixed term contracts	<u>65</u>	Staff on fixed term contracts	<u>48</u>
Total	<u>535</u>	Total	<u>496</u>

NML does not have data available to analyse over the organisation's "Charitable Activities" as required by the SORP. The average number of "Full-Time Equivalents" capitalised is 1.

A further analysis of the composition of 'Full-Time Equivalent' employees as at 31<sup>st</sup> March 2019 is as follows:

	Female	Male	Total
NML Directors	6	1	7
Employees	309	219	528
Senior Civil Servants	-	-	-
Total	315	220	535

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The Trustees neither received nor waived any emoluments during the year. Payments to reimburse Trustees' travel and subsistence costs associated with the attendance of meetings amounted to £2,669 (2017/18: £302). Two Trustees were reimbursed in 2018/19 (two in 2017/18). Travel and subsistence costs waived by Trustees were not material.

**Trade Union Facility Time**

Facility time is paid time off for union representatives to carry out trade union activities.

**Table 1**  
**Relevant union officials**

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>Full-time equivalent employee number</i>
22	19.4

**Table 2**  
**Percentage of time spent on facility time**

<i>Percentage of time</i>	<i>Number of employees</i>
0%	-
1-50%	22
51%-99%	-
100%	-

**Table 3**  
**Percentage of pay bill spent on facility time**

	<i>Amount</i>
Total cost of facility time	£8k
Total pay bill	£13,942k
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.06%

**Table 4**  
**Paid trade union activities**

<i>Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:</i>	25.50%
<i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	

**Laura Pye**  
**Director and Accounting Officer**  
**Date: 25 June 2019**

## KEY PERFORMANCE INDICATORS

NML has stated below performance against both key and other indicators. No targets were set by DCMS for 2018/19.

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

<b>Performance Indicator</b>	<b>2018/19 Out-turn</b>	<b>2017/18 Out-turn</b>
<b>Core Targets</b>		
<b>KPI (1)</b> Total number of visits	<b>3,965,453</b>	<b>3,305,671</b>
<b>KPI (2)</b> Charitable giving - fundraising including donated assets;	<b>£1,018,400</b>	<b>£1,770,893</b>
Donated Assets included above:	<b>£218,000</b>	<b>£60,415</b>
<b>OPI (1)</b> Number of unique website visits <sup>1</sup>	<b>2,318,177</b>	<b>3,056,167</b>
<b>OPI (2)</b> Number of visits by children under 16	<b>527,405</b>	<b>568,575</b>
<b>OPI (3)</b> Number of overseas visits	<b>507,577</b>	<b>462,794</b>
<b>OPI (4)</b> Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	<b>159,094</b>	<b>151,094</b>
<b>OPI (5)</b> Number of instances of visitors under 18 participating in on-site organised activities	<b>220,528</b>	<b>163,608</b>
<b>OPI (6)</b> Percentage (%) of visitors who would recommend a visit	<b>98%</b>	<b>97%</b>
<b>OPI (7)</b> Admissions income (gross income)	<b>£4,961,000</b>	<b>£1,707,400</b>
<b>OPI (8)</b> Trading income (net income)	<b>£3,258,800</b>	<b>£2,458,800</b>
<b>OPI (9)</b> Number of UK loan venues	<b>153</b>	<b>151</b>

Laura Pye  
 Director and Accounting Officer  
 Date: 25 June 2019

Sir David Henshaw  
 Chairman of Trustees  
 Date: 25 June 2019

## **Statement of Trustees' and Director's responsibilities**

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 Digital, 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 Digital, 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.

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.

Laura Pye  
Director and Accounting Officer  
Date: 25 June 2019

Sir David Henshaw  
Chairman of Trustees  
Date: 25 June 2019

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

## **Governance Statement**

### **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 Principal Accounting Officer of DCMS appointed Laura Pye as Director and Accounting Officer for the organisation from August 2018. The relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the safeguarding of NML's assets and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money. The Director, who is the Accounting Officer for NML, 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, 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 and management agreement 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 the Annual Budget.

The Board met four times during the year for formal board meetings and once for an informal board session and received reports including, but not limited to, 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;
- financial performance;
- business development plans;
- Terracotta Warriors exhibition plans, and then subsequent updates on performance;
- items accessioned;
- loans agreed;
- performance metrics;
- risk management;
- digital strategy;

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- legal and fraud registers (where applicable) 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.

In order to carry out some of its responsibilities, the Board delegates to three committees.

The Finance Committee met four times during the year. The meetings review, as an example, issues such as the forward financial plan, performance against budget, the capital project budget, accounting policy, the Annual Report and Accounts, and the work of the IS department.

The Audit Committee met four times during the year to review the control environment. This included, amongst other items, a review of the risks of the organisation as a whole, and a deep dive into specific directorates at each meeting, the work of internal and external audit, progress against actions identified from internal and external audit recommendations, progress towards compliance with General Data Protection Regulations, and the Annual Report and Accounts, including NAO's audit planning process and Audit Completion Report. The Trustees on the Audit Committee meet with the External and Internal Auditors without the presence of management, to enable frank discussions on any issues to take place, prior to, and aside from, formal meeting proceedings.

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

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 Board and Committees consist of Trustees, and in some cases Associate Trustees to ensure that the appropriate skills are in place.

#### **Compliance with the Corporate Governance Code**

The 'Corporate governance in central government departments: Code of good practice 2017' was developed specifically to support corporate governance in ministerial departments. NML has adopted the practices set out in this code where applicable.

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.

#### **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. 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.

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Name	Board (4)	Audit (4)	Finance (4)	Remuneration and Nomination (1)
Trustees				
Sir David Henshaw	100%			100%
Carmel Booth	75%	100%	100%	100%
Laura Carstensen	0%			
Jim Chapman	100%			
Heather Lauder	25%	50%		100%
Andy McCluskey	100%			
Philip Price	75%		75%	
Ian Rosenblatt	50%			
Virginia Tandy	100%			100%
Nicky Thorpe	100%	100%		
Sarah Dean	0% (0/1)			
David Fleming	100% (1/1)			
Max Steinberg	0% (0/1)			
Associate Trustees				
Dominic Appleton		25%		
Michelle Charters	100% (2/2)			

**Control Environment**

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

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a tolerable 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. Although no instances of it having being used in this year have been recorded, the policy is effective as the associated procedures have been used in the past and resulted in action being taken.

Registers of Interests are kept for Trustees and the Leadership Team, and potential 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 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.

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### **Governance of Trading Subsidiary**

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

### **Review of the Effectiveness of Governance**

The Board believes that it is effective and is currently obtaining external assurance via a comprehensive review of the Governance Framework and a review of the effectiveness of the Board by Mazars, which completed in 2018/19 and led to a plan for further improvement. Formal appraisals of the Chair and Trustees are undertaken, with the Chair's appraisal being conducted by a newly appointed Lead Non-Executive, in consultation with Trustees and the Director.

The level of assurance in the process of internal control and risk management is informed by the work of internal audit, the Leadership 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 2018/19, and has made no reports to the Information Commissioner's Office.

### **Internal Audit**

NML's internal audit function for 2018/19 was outsourced to Mazars who were appointed in April 2017 on a three year contract under the Government's Internal Audit Agency Framework process. The Audit Committee approved the internal audit plan in June 2018 for the period to March 2019. 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: Marketing, Procurement, Risk Management, Schools Charging, Core Financial Systems, HR & Payroll, Collections Management, GDPR, Health & Safety, NML Trading Ltd and Visitor Services. In addition, a rolling programme of venue-based reviews is carried out, which focuses on compliance.

### **Head of Internal Audit's opinion**

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work and six findings raised were considered fundamental. These matters have been discussed with management and recommendations have been, or are in the process of being addressed, as detailed in our individual reports.

### **Risk Management**

In order to evaluate and monitor the level of risk in the organisation a risk register is maintained which documents the manner in which identified risks are being managed. The risk register is regularly reviewed by the Extended Leadership Team. 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.



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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 Leadership Team who is responsible for the implementation and monitoring of actions identified to manage the risk. The Leadership Team member delegates risk management to their 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. In terms of risk profile, the Board consider that the organisation works in a relatively stable environment where the main risks to the organisation have been identified, mitigated and managed.

There are currently three risks that are highlighted as critical in our risk register:

- Potential for a significant reduction in Grant-in-Aid (GiA) funding - although alternative sources of income are growing, NML is still mainly funded by government grant. This degree of reliance upon one source of funding and past experience of that being significantly reduced at short notice represents a critical risk.
- Governance arrangements may become ineffective - the number of Trustees is below that required in the founding legislation and may become too low to support the activities of the Board. DCMS control the appointment of Trustees and we are currently working with them on a new round of trustee recruitment.
- Estates Health and Safety - improvements are required and there are actions in place to deliver these improvements.

All other risks are considered to have been managed to tolerable levels or are subject to current improvement actions to ensure sustainable management at this level.

Laura Pye  
Director & Accounting Officer  
Date: 25 June 2019

Sir David Henshaw  
Chairman of Trustees  
Date: 25 June 2019

# **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

## **Opinion on financial statements**

I certify that I have audited the financial statements of National Museums and Galleries on Merseyside for the year ended 31 March 2019 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, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Charities SORP and FRS 102. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of National Museums and Galleries on Merseyside's affairs as at 31 March 2019 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and Secretary of State directions issued thereunder.

## **Opinion on regularity**

In my opinion, in all material respects the income and expenditure 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.

## **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Museums and Galleries on Merseyside in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Museums and Galleries on Merseyside's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## **Responsibilities of the Board of Trustees and Accounting Officer**

As explained more fully in the Statement of Trustees' and Director'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.

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Merseyside Museums and Galleries Order 1986. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Museums and Galleries on Merseyside's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Other Information

The Board of Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the Remuneration Report, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

# **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Merseyside Museums and Galleries Order 1986;
- in the light of the knowledge and understanding of the National Museums and Galleries on Merseyside and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which I provide a positive consistency opinion on 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 parts 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.

Gareth Davies  
Comptroller and Auditor General  
3 July 2019

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**National Museums & Galleries on Merseyside**  
**Consolidated Statement of Financial Activities**  
**As at 31 March 2019**

	Notes	2018/19			2017/18		
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
<b>Income and endowments</b>							
Donations, grants and legacies	2,2a,6a	20,236	1,103	21,339	20,069	1,996	22,065
Charitable activities	7a	5,831	-	5,831	2,242	-	2,242
Trading activities	9	6,406	-	6,406	4,248	-	4,248
Investments	7b	68	128	196	23	34	57
<b>Total</b>		<b>32,541</b>	<b>1,231</b>	<b>33,772</b>	<b>26,582</b>	<b>2,030</b>	<b>28,612</b>
<b>Expenditure</b>							
Raising funds		795	58	853	459	-	459
Charitable activities		25,664	3,112	28,776	23,353	4,043	27,396
Trading Activities		5,105	8	5,113	4,262	-	4,262
Governance		374	29	403	231	-	231
<b>Total</b>	4	<b>31,938</b>	<b>3,207</b>	<b>35,145</b>	<b>28,305</b>	<b>4,043</b>	<b>32,348</b>
Net gains on investments	24	89	69	158	-	(27)	(27)
Net income/(expenditure)	3	692	(1,907)	(1,215)	(1,723)	(2,040)	(3,763)
Transfers between funds		(67)	67	-	-	-	-
Gains on revaluation of fixed assets	6	682	1,495	2,177	11,884	11,905	23,789
Net movement in funds		1,307	(345)	962	10,161	9,865	20,026
Brought forward at 1 April		136,359	136,131	272,490	126,198	126,266	252,464
Carried forward at 31 March	14	137,666	135,786	273,452	136,359	136,131	272,490

All of NML's operations relate to continuing activities. There are no recognised gains and losses other than those shown above.

A Statement of Financial Activities for the Museum is included as Note 19.

The notes on pages 46 to 68 form part of these accounts.

**National Museums & Galleries on Merseyside**  
**Consolidated Balance Sheet**  
**As at 31 March 2019**

	Notes	2019			2018		
		£000	£000	£000	£000	£000	£000
Fixed assets							
Tangible assets	6		238,623		241,140		
Heritage assets	6a		20,581		20,314		
Intangible assets	6		<u>17</u>	259,221	<u>-</u>	261,454	
Current assets:							
Stock - goods for re-sale		301			297		
Investments	24	1,850			1,692		
Debtors	10	2,198			1,769		
Cash at bank and in hand		<u>13,580</u>	17,929		<u>12,357</u>	16,115	
Creditors: amounts falling due within one year	11		<u>(3,407)</u>		<u>(4,770)</u>		
Net current assets			<u>14,522</u>		<u>11,345</u>		
Total assets less current liabilities			<u>273,743</u>		<u>272,799</u>		
Creditors: due after more than one year	11		(291)		(309)		
Provisions	12		<u>-</u>	(291)	<u>-</u>	(309)	
Total net assets			<u>273,452</u>		<u>272,490</u>		
Represented by:							
Restricted funds:							
Revaluation reserve	14		35,779		34,284		
Restricted funds	14		<u>100,007</u>	135,786	<u>101,847</u>	136,131	
Unrestricted funds:							
Revaluation reserve	14		63,880		63,198		
Designated funds	14		65,293		67,938		
General funds	14		<u>8,493</u>	137,666	<u>5,223</u>	136,359	
Total funds			<u>273,452</u>		<u>272,490</u>		

The notes on pages 46 to 68 form part of these accounts

Laura Pye  
 Director and Accounting Officer  
 Date: 25 June 2019

Sir David Henshaw  
 Chairman of Trustees  
 Date: 25 June 2019

**National Museums & Galleries on Merseyside**  
**Museum Balance Sheet**  
**As at 31 March 2019**

	Notes	2019			2018		
		£000	£000	£000	£000	£000	£000
Fixed assets							
Tangible assets	6		238,380		240,849		
Heritage assets	6a		20,581		20,314		
Intangible assets	6		17		-		
Investment in NML Trading Limited	9		610	259,588	610	261,773	
Current assets:							
Investments	24	1,850			1,692		
Debtors	10	3,514			4,259		
Cash at bank and in hand		11,879	17,243		9,196	15,147	
Creditors: amounts falling due within one year	11		(3,166)		(4,220)		
Net current assets				14,077		10,927	
Total assets less current liabilities				273,665		272,700	
Creditors: due after more than one year	11		(282)		(284)		
Provisions	12		-	(282)		-	(284)
Total net assets				273,383		272,416	
Represented by:							
Restricted funds:							
Revaluation reserve	14		35,779		34,284		
Restricted funds	14		100,007	135,786	101,847	136,131	
Unrestricted funds:							
Revaluation reserve	14		63,880		63,198		
Designated funds	14		65,293		67,938		
General funds	14		8,424	137,597	5,149	136,285	
Total funds				273,383		272,416	

The notes on pages 46 to 68 form part of these accounts

Laura Pye  
 Director and Accounting Officer  
 Date: 25 June 2019

Sir David Henshaw  
 Chairman of Trustees  
 Date: 26 June 2018

**National Museums & Galleries on Merseyside**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 March 2019**

	Notes	2018/19		2017/18	
		£000	£000	£000	£000
Cash used in operating activities			2,851		597
Cash flows from investing activities					
Interest and dividends received	7b	196		57	
Purchase of investments	24	(52)		(229)	
Sale of investments	24	43		69	
Net losses/(gains) on investments	24	(149)		(8)	
Purchase of tangible fixed assets		(1,666)	(1,628)	(229)	(340)
Increase in cash in year			1,223		257

The notes on pages 46 to 68 form part of these accounts.

*Notes to the Consolidated Cash Flow Statement*

Reconciliation of changes in resources to net cash inflow from operating activities					
Net outgoing resources			(1,215)		(3,763)
Depreciation ( <i>less disposals</i> )		6,294		2,886	
Interest received		(196)		(57)	
Gifts		(218)		(60)	
(Increase)/decrease in stock		(4)		(85)	
(Increase)/decrease in debtors		(429)		(172)	
(Decrease)/increase in creditors		(1,381)		2,097	
(Decrease)/increase in provisions		-	4,066	(249)	4,360
Net cash inflow from operating activities			2,851		597
Analysis of cash flows					
Capital expenditure and financial investment:					
Payments to acquire tangible fixed assets			(1,666)		(229)
Returns on investments and servicing of finance			196		57
(Increase) in investments			(149)		(8)
Net losses/(gains) on investments			(9)		(160)
Management of liquid resources: Increase in cash			1,223		257
Reconciliation of net cash flow to movement in net funds					
Increase in cash and movement in net funds in the year			1,223		257
Net funds at 1 April			12,357		12,100
Net funds at 31 March			13,580		12,357
Analysis of net funds					
Cash			13,580		12,357



**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

**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. NML is principally funded by UK Government grant and has received formal funding confirmation for 2019/20. Although this level of funding may alter in the future, there is no evidence that it will end.

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) at Note 19, 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) *Income and Endowments***

Grant-in-Aid from the DCMS is taken to the SoFA in the year in which it is received. It is recognised under the performance model underpinned by a Management Agreement and a Funding Agreement with the sponsor Department.

Capital grants with a restricted application, for example, National Heritage Lottery Fund 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.

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

An amount of commercial income has been deferred where all of the three criteria for income recognition (entitlement, probable, measurement) have not been met. 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.

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, estate management, visitor services, exhibitions, and education. 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 within the charity heads. NMLT Ltd depreciation is allocated directly to the costs of the subsidiary company.

Expenditure also includes fundraising; seeking contributions, charitable donations and grant income and, fees and charges activities. It also includes the costs of the wholly owned subsidiary trading company.

Governance costs are; external audit fees, corporate governance (including internal audit) and legal advice on governance issues.

Support costs are; management, marketing, finance, information systems and human resources. These costs are apportioned over the activities within the SOFA as per FRS102. Apportionment is calculated on the same basis as administration costs.

**d) *Heritage assets***

In accordance with accounting standards, heritage assets acquired by NML have been reported in the balance sheet since 1 April 2001 where cost or valuation information is available.

In relation to collections acquired by NML prior to the requirement to capitalise collections, given the purpose for which the collection is held NML has assessed that this information cannot be obtained at a cost that would be commensurate with the benefit to users of the financial statements. In addition to the number of assets involved, this assessment reflects that any valuation would be complicated by the quantity and nature of such assets, that they are rarely sold, they often have a value enhanced above the intrinsic through their association with a person, event or collection, that there are a very limited number of buyers, with no homogeneous population of assets on the market and there is often imperfect information about the items.

Since 2001, acquisitions are recorded at either purchase cost or at a value determined 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.

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

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

inheritance tax scheme are included in the accounts at their current valuation. The threshold for capitalisation of donated items is £500.

**e) *Fund accounting***

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of NML. Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. These are described in more detail in Note 14. Restricted funds are funds subject to specific restriction imposed by donors or by the purpose of an appeal. Transfers between funds arise from either a direct decision of the Trustees or indirectly as a consequence of other decisions that necessarily lead to a movement between funds (e.g. a decision to proceed with a project only part funded by restricted grant or donation).

**f) *Tangible and Intangible fixed assets***

Fixed assets are stated at cost or valuation. Depreciation is provided on all fixed 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
Intangible assets	4 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).

Building 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 an external desktop valuation is undertaken, where the independent valuers undertake their work using a methodology which they consider most appropriate to the circumstances, including the use of any index which they deem appropriate.

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, the value of the asset is reduced and the impairment disclosed in the accounts.

**g) *Stock***

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

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

***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 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 Civil Servants and Others Pension Scheme (CSOPS) 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 CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS. 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***

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.

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

***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 may require 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 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 an independent professional desktop exercise is undertaken in the intervening years, with the valuers using whatever methodology including indices which they deem appropriate to the circumstances. Carrying values are shown in note 6 to the financial statements.

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

£19,761k of DCMS Grant-in-Aid has been received during the year (2017/18: £19,761k). This money is available for running costs, capital improvement and collection purchases. During the year Grant-in-Aid was allocated to:

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

	2018/19	2017/18
	£000	£000
Government grant revenue allocation	18,266	18,266
Government grant capital allocation	1,495	1,495
Total GiA	19,761	19,761
Voluntary contribution	475	308
	20,236	20,069

NML also receives Grant-in-Aid from the Border Force. The amount received in 2018/19 was £247k (2017/18: £247k). No capital GiA was received from Border Force in 2018/19 (2017/18: £nil). A summary can be seen at note 16.

**2a. Donations and grants**

£1,103k was recognised during the year (2017/18:£1,966k), of which £218k was gifted (2017/18: £60k).

	2018/19	2017/18
	£000	£000
National Heritage Lottery Fund	85	121
Other revenue and capital grants and donations	553	1,568
Border Force	247	247
Gifts	218	60
	1,103	1,996

**3. Net expenditure**

In the SoFA, net expenditure before transfers is stated after charging for:

	2018/19	2017/18
	£000	£000
Travel and subsistence (including trustees)	158	144
Hospitality	109	129
Operating lease payments (Ener-G CHP scheme)	575	561
Operating lease payments (Other)	64	87
Consolidated audit fee	59	52
Trading company audit & accountancy fee	12	11
Depreciation	6,294	5,884
Loss on disposals	-	25

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**4. Analysis of expenditure**

	2018/19						2017/18
	Employee costs £000	Other costs £000	Total £000	Support Costs £000	Depreciation £000	Total £000	Total Restated £000
Raising funds	437	128	565	113	175	853	459
Charitable activities							
Care of Collections	3,138	516	3,654	736	1,136	5,526	5,584
Estate Management	870	5,650	6,520	1,312	2,026	9,858	11,779
Visitor services	4,133	407	4,540	913	1,411	6,864	4,369
Exhibitions	734	1,775	2,509	504	779	3,792	3,387
Education	1,576	234	1,810	364	562	2,736	2,277
Total	10,451	8,582	19,033	3,829	5,914	28,776	27,396
Trading activities							
Shops, cafes & events	2,443	2,452	4,895	-	97	4,992	3,816
Fees & charges activities	6	73	79	17	25	121	446
Total	2,449	2,525	4,974	17	122	5,113	4,262
Governance							
External audit fees	-	71	71	-	-	71	63
Corporate governance	68	79	147	53	83	283	64
Internal audit	-	44	44	-	-	44	46
Legal advice	-	5	5	-	-	5	58
Total	68	199	267	53	83	403	231
Total expenditure	13,405	11,434	24,839	4,012	6,294	35,145	32,348
Employee Costs - Support	2,562						
Total Employee Costs	15,967						

**Support Costs**

	2018/19						2017/18
	Management £000	Marketing £000	Finance £000	Information Systems £000	Human Resources £000	Total £000	Total £000
Raising funds	11	26	29	25	22	113	-
Care of Collections	71	171	191	162	141	736	717
Estate Management	126	306	340	290	250	1,312	777
Visitor services	88	212	237	201	175	913	630
Exhibitions	49	117	131	111	96	504	377
Education	35	85	94	80	70	364	335
Fees & charges activities	2	4	4	4	3	17	-
Governance	5	12	14	12	10	53	-
	387	933	1,040	885	767	4,012	2,836
Employee Costs	323	633	639	571	396	2,562	2,623

The Museum depreciation is split between Unrestricted £4,236k (2017/18: £2,674k) and Restricted £2,058k (2017/18: £3,123k). From 2018/19 depreciation has been allocated across all SoFA activities including fundraising and governance, which better reflects that all of these activities utilise the depreciating assets. 2017/18 figures have been restated to reflect the revised presentation of figures in 2018/19.

Fundraising costs increased between years due to the allocation of depreciation charges which started in 2018/19 in addition to an increase in the size of the Fundraising Team.

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

During the year a small amount of staff costs directly associated with the delivery of NML's major capital projects were capitalised. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML		2018/19	2017/18
	NML	Trading Ltd	Total	Total
	£000	£000	£000	£000
Wages and salaries	10,574	2,164	12,738	11,825
Social security costs	855	133	988	946
Pension costs	2,048	73	2,121	2,018
Agency staff costs	47	73	120	80
Total within expenditure	13,524	2,443	15,967	14,869
Capitalised staff costs	25	-	25	32
Total	13,549	2,443	15,992	14,901

The subsidiary trading company pension arrangements 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 £73k (2017/18: £61k).

**6. Tangible Assets**

NML operates a revaluation policy in relation to its land and buildings. Under the valuation conventions of the Royal Institute of Chartered Surveyors a full revaluation is carried out every five years, an appropriate index, or, a professional desktop valuation is used for land & buildings to cover the intervening periods. The historic cost of land and buildings is not known.

The net book value as at 31 March 2019 was made up of:

	2019	2018
	£000	£000
NML fixed assets	238,380	240,849
NML heritage assets	20,581	20,314
NMLT fixed assets	243	291
	<u>259,204</u>	<u>261,454</u>

Deloitte LLP, external chartered surveyors, last completed the full valuation of its land and buildings as at 31 March 2017 and the results of the valuation are reflected in the financial statements. This has been updated by the results of the annual land and buildings desktop valuation by Deloitte LLP as at 31 March 2019, and the table reflects a decrease this year in net book value. The valuation complies fully with the RICS Valuation – Professional Standards January 2014, known as the 'Red Book'.

Properties regarded by National Museums Liverpool as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost (DRC) subject to the prospect and viability of the occupation and use. The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in



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the financial statements. The valuation figures in the financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

The note below 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.

	Land £000	Buildings £000	Furniture & Fittings £000	Permanent Galleries £000	Motor Vehicles £000	Total £000	Intangible Assets £000
<b>Asset Value</b>							
Value at 1 April	15,535	211,060	14,278	29,307	56	270,236	-
Additions in year	-	983	287	325	-	1,595	23
Disposals	-	-	(8)	-	-	(8)	-
Revaluation	-	(2,063)	-	-	-	(2,063)	-
Value at 31 March	15,535	209,980	14,557	29,632	56	269,760	23
<b>Depreciation</b>							
Value at 1 April	-	-	13,815	15,225	56	29,096	-
Base charge for year	-	4,241	239	1,808	-	6,288	6
Disposals	-	-	(6)	-	-	(6)	-
Revaluation	-	(4,241)	-	-	-	(4,241)	-
Value at 31 March	-	-	14,048	17,033	56	31,137	6
<b>Net book value:</b>							
At 31 March 2019	15,535	209,980	509	12,599	-	238,623	17
At 31 March 2018	15,535	211,060	463	14,082	-	241,140	-

**Disposals in year**

There were a small number of obsolete equipment disposals in the subsidiary company during the year, at a loss of £2k.

**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, the collection includes over four million items.

The collection is included in the balance sheet in order to comply with current accounting standards. However, unlike other assets, these cannot be sold to support the finances of the organisation. The collection is intended to be held in perpetuity and should any item no longer be required in support of the objectives of the Trustees, any disposal proceeds must be used to acquire further items for the collection. This makes the inclusion of these assets and their valuation primarily a matter of technical accounting compliance.

**Collections Management**

The approach of the Board of Trustees to the management of the collections in its care is articulated in the Collections Policy (approved by the Board of Trustees May 2014). This is supported by more detailed policies and procedures where appropriate. All acquisitions and disposals are made in line with the Policy and are approved by the appropriate head of collection and reported to the Board of Trustees as a standing agenda item at their meetings

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(4 times per year). The policy was accepted and approved by Arts Council England as part of the institution's application under the Accreditation Scheme.

Both digital and paper-based records are held about the items in the collection and associated information. At any point in time, a small proportion of the collection is on public display. Controlled access to the remainder is usually available on request.

**Preservation**

Our Environmental Guidelines for Collections sets out our approach to environmental monitoring, climate control, pollution (internal and external), display cases, floor loadings, light and UV radiation, vibration and pests. The Integrated Pest Management Policy and Procedure is a more detailed explanation of NML's approach to identifying and dealing with pests that present a risk to collections.

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

**Valuation**

In accordance with accounting standards, heritage assets acquired by NML have been reported in the balance sheet since 1 April 2001 where cost or valuation information is available.

In relation to collections acquired by NML prior to the requirement to capitalise collections, given the purpose for which the collection is held NML has assessed that this information cannot be obtained at a cost that would be commensurate with the benefit to users of the financial statements. In addition to the number of assets involved, this assessment reflects that any valuation would be complicated by the quantity and nature of such assets, that they are rarely sold, they often have a value enhanced above the intrinsic through their association with a person, event or collection, that there are a very limited number of buyers, with no homogeneous population of assets on the market and there is often imperfect information about the items.

Since 2001, acquisitions are recorded at either purchase cost or at a value determined 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 values at 31 March 2019 and the preceding four years are shown below:

	2018/19	2017/18	2016/17	2015/16	2014/15
	£000	£000	£000	£000	£000
Value at 1 April	20,314	20,104	14,385	14,104	11,999
Additions	267	210	5,719	281	2,105
Value at 31 March	20,581	20,314	20,104	14,385	14,104
Additions analysis					
Purchases	49	150	67	167	1
Donations	218	60	5,652	114	2,104
	267	210	5,719	281	2,105

The value of assets at historic cost and valuation are shown below:

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	1 April	Additions	31 March
	£000	£000	£000
Acquisitions at historic cost	3,311	49	3,360
Donated assets at valuation	17,003	218	17,221
<b>Total</b>	<b>20,314</b>	<b>267</b>	<b>20,581</b>

**7. Income**

**7a. Income from charitable activities**

	2018/19	2017/18
	£000	£000
Admissions (excl Vol Donations)	4,961	1,499
Exhibitions (excl admission)	157	131
Fees and charges activities	341	525
Photography	19	16
Projects income	353	71
	<b>5,831</b>	<b>2,242</b>

The growth of admissions income was due to the success of the Terracotta Warriors exhibition during the year.

**7b. Investment income**

Investment income derives from returns on fixed interest placement with National Westminster Bank plc, Lloyd's Bank plc, and from the Tomlinson & Trust Funds investments managed by Rathbone Investment Management Ltd.

	2018/19	2017/18
	£000	£000
Interest receivable	68	30
Trust Funds dividend receivable	128	27
	<b>196</b>	<b>57</b>

**8. Financial instruments**

The Museum does not hold any complex financial instruments. The only financial instruments included in the accounts are debtors and creditors, cash and short-term investments as itemised in Notes 10, 11, 12 and 24. Trade debtors 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 government grants for its cash requirements.

**Liquidity Risks**

In 2018/19 NML's total income was £33.8m. £19.8m (59%) of NML's income derived from Grant-in-Aid from the Department for Digital, 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

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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**

		2018/19	2017/18
	Note	£000	£000
Trade debtors	10	252	246
Other debtors	10	1,543	1,172
Cash at bank and in hand		13,580	12,357

The above excludes statutory debtors i.e. VAT due from HM Revenue and Customs: £305k (2017/18 £256k).

The age of the NML trade debtors is shown below;

	Less than 30 days £000	30-60 days £000	60-90 days £000	More than 90 days £000
As at March 2019	358	2	12	-
As at March 2018	161	5	80	-

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. The majority of other debtors are grants receivable and are therefore considered to be low risk.

**Financial liabilities by category**

		2018/19	2017/18
	Note	£000	£000
Trade creditors	11	851	1,283
Other creditors & accrual	11	2,068	1,533
Provisions	12	-	-

The above excludes statutory creditors i.e. tax and social security payments due to HM Revenue and Customs: £339k (2017/18 £391k). 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 2018/19 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.

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**Investment Risk**

NML has £1.85m (2017/18 £1.69m) invested in fixed interest and equity stocks. The investment manager (Rathbone Investment Management) works to a low risk profile instruction.

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.

**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:

- C Booth
- G A McCluskey
- P C Price
- I I Rosenblatt (resigned 19 July 2018)
- L Pye (appointed 21 August 2018)
- L E Parnell
- M Lewis

The Directors who are not employees of NML serve on a voluntary, unpaid basis. The registered office of the company is 127 Dale Street, Liverpool.

The trading performance for the year ended 31 March 2019 and the Company's Balance Sheet are set out below. Some of the 2017/18 comparative figures have been restated to reflect minor changes made in the company accounts after the conclusion of last years Group audit.

	2018/19	2017/18
	£000	£000
Sales	6,804	4,593
Cost of Sales	(2,144)	(1,405)
Gross Profit	4,660	3,188
Administrative expenses	(3,078)	(2,764)
Operating Profit	1,582	424
Interest receivable and similar income	5	1
Interest payable and similar charges	(1,593)	(425)
Profit/(loss) on ordinary activities before taxation	(6)	-
Taxation on profit on ordinary activities	-	-
(Loss)/profit for the year	(6)	-

NMLT Ltd donates all of its profit to NML after retaining a small balance for cash management purposes. This year the donation was £1,588k (2017/18 £417k) and is included within "Interest payable and similar charges" above.

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	2018/19		2017/18 Restated	
	£000	£000	£000	£000
Fixed Assets		243		291
Current assets	2,363		3,777	
Current liabilities	(1,918)		(3,358)	
Net Current Assets		445		419
Total assets less current liabilities		688		710
Creditors: amounts due after more than one year		(9)		(25)
Total		679		685
Represented by:				
Called up share capital		610		610
Profit & Loss reserve		69		75
Total		679		685

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 intra-group debtor/creditor position is shown below:

	2018/19	2017/18
	£000	£000
Amount owed by the parent company to the subsidiary	129	148
Amount owed by the subsidiary to the parent company	1,548	2,666
	1,677	2,814

The reconciliation of the company profit & loss to the Consolidated Statement of Financial Activities (SoFA) is shown below:

	2018/19	2017/18
	£000	£000
		Restated
Incoming Resources		
NMLT Sales	6,804	4,593
Less intragroup sales	(398)	(345)
Trading Activities Income in SoFA	6,406	4,248
Outgoing Resources		
NMLT Cost of Sales	2,144	1,405
NMLT Administrative Expenses	3,078	2,764
NMLT Interest payable and similar charges	1,593	425
Total NMLT Costs	6,815	4,594
Less intragroup costs	(1,823)	(778)
Trading Activities Costs in SoFA	4,992	3,816

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

**10. Debtors**

	2018/19		2017/18	
	Group £000	Museum £000	Group £000	Museum £000
Amounts due from subsidiary	-	1,548	-	2,666
Trade debtors	252	62	246	116
Other debtors	1,543	1,524	1,172	1,155
Prepayments	98	75	95	66
Taxation (VAT) recoverable	305	305	256	256
	<b>2,198</b>	<b>3,514</b>	<b>1,769</b>	<b>4,259</b>

The amounts due from subsidiary increased temporarily during 2017/18 due to impact of the Terracotta Warriors exhibition. Other debtors have increased in 2018/19 as at 31 March 2019 there were two years of Exhibition Tax Relief due from HMRC but only one at 31 March 2018.

**11. Creditors**

	2018/19		2017/18	
	Group £000	Museum £000	Group £000	Museum £000
Amounts falling due within one year:				
Amounts due to subsidiary	-	129	-	148
Trade creditors	851	776	1,283	1,047
Other creditors and accruals	2,068	2,045	1,533	1,495
Deferred income	149	19	1,563	1,320
Taxation and social security	339	197	391	210
	<b>3,407</b>	<b>3,166</b>	<b>4,770</b>	<b>4,220</b>
Amounts falling due after one year:				
Accrual for CHP and finance lease	291	282	309	284

Deferred income has significantly reduced this year, following the end of the Terracotta Warriors Exhibition.

**12. Provisions**

	2018/19		2017/18	
	Group £000	Museum £000	Group £000	Museum £000
Balance brought forward	-	-	249	249
Provision in year	-	-	-	-
Payments in year	-	-	(154)	(154)
Releases in year	-	-	(95)	(95)
Balance carried forward	-	-	-	-

No staff members took early retirement in 2018/19 (2017/18: nil).

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There was no voluntary severance constructive obligation at 31 March 2019 as all voluntary exits have occurred during the year. The exits were funded from General Funds.

**13. Financial commitments**

	2018/19		2017/18	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	54	591	50	611
In the second to fifth year	63	2,471	108	2,479
More than five years	-	1,675	-	2,700
	117	4,737	158	5,790

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

NML entered into a contractual arrangement with Ener-G Limited (now part of Centrica Plc) 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.

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

	Within 1 year £000	2nd to 5th year £000	6th to 10th year £000
Payment commitments	581	2,471	1,675

The estimated capital value is £3.6m and the contract end date is 29 June 2026.

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 made a payment of £605k which is being released as deferred income against the annual unitary payment due over the duration of the contract, which is 17 years.

**14. Statement of Funds**

**Restricted**

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



**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

	At 1 April 2018	Income	Expenditure	Revaluation	Transfers	At 31 March 2019
	£000	£000	£000	£000	£000	£000
Revaluation Reserve	34,284	-	-	1,495	-	35,779
Restricted funds						
Collection purchase fund	19,789	261	-	-	-	20,050
Development fund revenue	2,781	944	1,144	-	67	2,648
Tomlinson fund	266	26	5	-	-	287
New share capital	230	-	-	-	-	230
TFA* Development fund	9,622	-	511	-	-	9,111
TFA* Tomlinson Capital	793	-	3	69	-	859
TFA* NMGM ITF** - Lottery	15,295	-	628	-	-	14,667
TFA* Lottery	6,983	-	2	-	-	6,981
TFA* ERDF ITF**	2,643	-	101	-	-	2,542
TFA* ERDF Capital	7,104	-	103	-	-	7,001
TFA* Development fund ITF**	1,334	-	46	-	-	1,288
TFA* NWDA Cap	35,007	-	664	-	-	34,343
Total	101,847	1,231	3,207	69	67	100,007
Total restricted funds	136,131	1,231	3,207	1,564	67	135,786

Notes: \* Tangible Fixed Assets \*\* Into the Future

Revaluation reserve: reflects the fund movements recorded in the statutory accounts, where there has been a revaluation. These would have been full land & buildings, desktop or indexation valuations.

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 revenue: 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.

New share capital: 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.

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

TFA - Tomlinson capital: 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.

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 National Heritage Lottery Fund.

TFA – Lottery: for the purchase and development of fixed assets, specifically the Museum of Liverpool project. The source of this fund is the National 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 – 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 was the Northwest Regional Development Agency.

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**Unrestricted**

	At 1 April 2018 £000	Income £000	Expenditure £000	Revaluation £000	Transfers £000	At 31 March 2019 £000
Revaluation Reserve	63,198	-	-	682	-	63,880
Designated funds:						
Collection purchase fund	3	-	-	-	-	3
Collection purchase fund - capital	809	-	-	-	-	809
Border Force admissions fund	74	-	-	-	-	74
Academic publications	199	-	1	-	-	198
TFA* Capital reserve	34,420	-	1,254	-	-	33,166
TFA* Deferred govt grant ITF**	375	-	14	-	-	361
TFA* Deferred govt grant	23,421	1,495	2,645	-	-	22,271
TFA* General capital	5,329	-	133	-	-	5,196
TFA* NMGM ITF**	3,308	-	93	-	-	3,215
Total designated funds	67,938	1,495	4,140	-	-	65,293
General funds	5,223	31,046	27,798	89	(67)	8,493
Total unrestricted funds	136,359	32,541	31,938	771	(67)	137,666

Notes: \* Tangible Fixed Assets \*\* Into the Future

Revaluation reserve: reflects the fund movements recorded in the statutory accounts, where there has been a revaluation. These would have been full land & buildings, desktop or indexation valuations.

Designated funds: comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The source of these funds is earned income.

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.

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 – Deferred govt 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 – Deferred govt 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.

General funds: for general use in furtherance of the objectives of NML.

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

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

	Unrestricted funds £000	Restricted funds £000	Total £000
Tangible fixed assets	126,370	132,851	259,221
Investments	1,113	737	1,850
Net assets (excl fixed assets) and cash	10,183	2,198	12,381
	<u>137,666</u>	<u>135,786</u>	<u>273,452</u>
Unrealised gains included above:			
On tangible fixed assets and investments	63,880	35,779	99,659

**16. Border Force National Museum**

The Trustees of NML are custodians and Trustees of the collections that constitute the National Collections of the Board of Border Force. Possession of the National Collection 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 2018/19 account, which is audited and published separately.

With effect from 1 April 2010 the Border Agency 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:

	2018/19 £000	2017/18 £000
Total funds received as at 1 April	1,469	1,469
Funds received in year	-	-
Virement from Revenue Grant	-	-
Total funds received as at 31 March	<u>1,469</u>	<u>1,469</u>
Funds applied as at 1 April	(1,469)	(1,469)
Funds applied in year	-	-
Funds applied as at 31 March	<u>(1,469)</u>	<u>(1,469)</u>
Unapplied capital funding at 31 March	-	-

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

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

	2018/19	2017/18
	£000	£000
Unapplied funds as at 1 April	-	-
Grant-in-Aid	247	247
Total Available Grant-in-Aid funds	247	247
Funds applied to the running of the Museum	(247)	(247)
Unapplied funds as at 31 March	-	-

**17. Royal Albert Dock Ltd**

NML is a member of Royal Albert Dock Ltd (RADL – formerly Gower St Estates Ltd.) a company formed to manage the areas within the Albert Dock formerly managed by the Merseyside Development Corporation (MDC). RADL 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 directors are Ian Murphy and Janet Dugdale. Directors of the company are not remunerated. The day to day management of the estate is contracted to Savills UK Limited.

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 £172k (2017/18 £143k).

**18. Capital Commitments**

There are a small number of capital projects that are committed beyond 2018/19. The aggregate value of capital commitments in future years as at 31 March 2019 was £61k. (2018: £124k)

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

**19. Museum Statement of Financial Activities**

	2018/19			2017/18		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income and endowments						
Donations, grants and legacies	20,236	1,103	21,339	20,069	1,996	22,065
Charitable activities	6,054	-	6,054	2,591	-	2,591
Trading activities	1,588	-	1,588	417	-	417
Investments	63	128	191	23	34	57
Total	27,941	1,231	29,172	23,100	2,030	25,130
Expenditure						
Raising funds	807	58	865	459	-	459
Charitable activities	26,043	3,112	29,155	23,687	4,043	27,730
Trading Activities	115	8	123	446	-	446
Governance	368	29	397	231	-	231
Total	27,333	3,207	30,540	24,823	4,043	28,866
Net (loss)/gains on investments	89	69	158	-	(27)	(27)
Net (expenditure)/income	697	(1,907)	(1,210)	(1,723)	(2,040)	(3,763)
Transfers between funds	(67)	67	-	-	-	-
Gains on revaluation of fixed assets	682	1,495	2,177	11,884	11,905	23,789
Net movement in funds	1,312	(345)	967	10,161	9,865	20,026
Brought forward at 1 April	136,285	136,131	272,416	126,124	126,266	252,390
Carried forward at 31 March	137,597	135,786	273,383	136,285	136,131	272,416

**20. Related Party Transactions**

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

Each year NML receives a large donation without conditions from NMLT, a 100% owned subsidiary company of NML. The purpose of the company is to generate profit in support of the charity parent, and NMLT donates all of its profit to NML after retaining a small balance for cash management purposes. This year the donation was £1,588k (2017/18 £417k).

Additionally NML has conducted material transactions with the Arts Council and National Heritage Lottery Fund.

**Trustees**

During the year no Trustees undertook any material related party transactions apart from those detailed below.

Related Party	Relationship	Transactions	Income for	Expenditure	Creditor at	Debtor at
			the year	for the year	31 March	31 March
			£000	£000	£000	£000
Liverpool John Moores University	Sir David Henshaw - Honorary Fellow	Charges for various events, ticket sales and bookings	8	-	-	-
University of Liverpool	Sir David Henshaw - Fellow	Charges for various services, tuition and receptions	2	1	-	-
Rosenblatt Limited	Ian Rosenblatt - Partner	Professional/legal services re contractual matter	-	4	-	-
Ronson Family Foundation	Ian Rosenblatt- Trustee	HOM Funding	26	-	-	-
South Bank	Ian Rosenblatt - Benefactor	Framing and other arts services (Southbank Centre)	-	4	-	-
NHS Improvement	Laura Carstensen - Non Executive Director	Attendance at event	1	-	-	-
University of Manchester	James Chapman - Visiting Professor	Fees for professional pest control services	1	-	-	-
Grosvenor Liverpool Fund	Sarah Dean - Grosvenor Family Estate Office	Fees for services - Old Dock Interpretation Centre	48	-	-	-
Liverpool Vision	Max Steinberg - CEO until Nov 18	Supplies of marketing services	-	19	-	-
ACC Liverpool Group	Max Steinberg - Chair from Dec 18	Supplies of equipment/services for NML event	-	10	-	-
Liverpool Hope University	Max Steinberg -Senior Fellow	Contribution to programme co-ordinator	23	-	-	-

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

**Key management personnel**

These are considered to be the Directors described in the Remuneration Report. They took no part in any discussion which concerned organisations or bodies that they have connections with as reported in the Register of Members Interests.

During the year none of the key management personnel undertook any material related party transactions apart from those detailed below.

Related Party	Relationship	Transactions	Income for	Expenditure	Debtor at	Creditor at
			the year	for the year	31 March	31 March
			£000	£000	£000	£000
Museums Association	Laura Pye - Member; Chair of Taskforce	Institutional memberships, conferences, subscriptions	-	10	-	-
Hope St (Trading)Ltd	Carol Rogers - Director	Supplies of programme services	-	3	-	-
Royal Albert Dock Residents Assoc.	Laura Pye - Member	Fee for Ship Model Loan	4	-	-	-
Art Fund Merseyside	Sandra Penketh - Committee member	Curatorial grants and grant for art talks	2	-	-	-
University of Leicester	Sandra Penketh -External Examiner	Professional services - mentoring programme	10	-	-	-

**21. Contingent Assets and Liabilities**

There are no contingent assets or liabilities.

**22. Post Balance Sheet Events**

There were no reportable 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 therefore have a distinct legal identity. The Charity Commission schemes approved in 1989/90 recognised the status of the original 11 independent charities when the creation of two common investment funds was agreed. The Financial Statements of the satellite trust funds do not form part of these accounts.

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

**Non-expendable Capital**

Lady Lever Bequest  
 Jones Bequest  
 Mayor Bequest  
 Holt Bequest  
 Derby Bequest

**Expendable Capital**

McQuie Mather Bequest  
 Museum Coin Purchase Fund  
 Bowring Bequest  
 Gladstone Bequest

**National Museums & Galleries on Merseyside**  
**Notes to the Accounts for the year ended 31 March 2019**

The Tomlinson Fund is a separate fund 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 below.

	2018/19			2017/18
	Income £000	Capital £000	Total £000	Total £000
Income:				
Investments	26	-	26	27
Expenditure				
Governance costs	(1)	-	(1)	(1)
Charitable activities	(4)	-	(4)	(3)
Depreciation/revaluation	-	(3)	(3)	(17)
Total	21	(3)	18	6
(Losses)/gains on revaluation of investments	-	69	69	(27)
Net movement in funds	21	66	87	(21)
Fund Balances at 1 April	266	793	1,059	1,080
Fund Balances at 31 March	287	859	1,146	1,059

**24. Investments**

All investments are listed on the UK stock exchange.

	2018/19 £000	2017/18 £000
Market value at 1 April	1,692	1,524
Additions to investments at cost	52	229
Disposals at market value	(43)	(69)
Net Gain on sales and revaluation	149	8
Market value at 31 March	1,850	1,692

They are categorised as follows:

	2018/19 £000	2017/18 £000
Fixed Interest	256	223
UK Equities	1,159	1,056
Overseas Equities	400	367
Alternatives	35	46
	1,850	1,692

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 have not made any payments or incurred losses during the year in respect of commercial settlements and compromise agreements, which may be classed as a special payment under Managing Public Money guidance. Therefore, none were to be disclosed within the remuneration report. Where required, approval is 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.

