

THE MERSEYSIDE MUSEUMS AND GALLERIES ORDER 1986

Account, of the National Museums & Galleries on Merseyside for the year ended 31 March 1998, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 441 of 1997–98.)

Presented pursuant to SI 1986, No. 226, Art 2, para 8(7)

National Museums & Galleries on Merseyside Account 1997–98

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 26 OCTOBER 1998

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Foreword

Legal and Administrative Information

Name of the Charity	National Museums & Galleries on Merseyside (NMGM). NMGM is an exempt charity by virtue of Schedule 2 to the Charities Act 1993.
Governing Instrument and Constitution of NMGM	NMGM was established as an incorporated Trustee Body by the Merseyside Museums and Galleries Order 1986 which was laid before Parliament on the 13 February 1986 by the Chancellor of the Duchy of Lancaster following a recommendation to Her Majesty in Council under section 46 of the Local Government Act 1986.
Trustees	<p>The Board of Trustees during the year comprised:-</p> <p>David McDonnell, Chairman The Earl of Derby The Rt Hon Baroness Hooper Viscountess Mersey The Lady Vaizey Sir David Wilson Colin Amery (resigned 17 July 1997) Professor Michael Kauffmann Professor John Last, CBE Professor David Molyneux Professor Marilyn Strathern Professor John Tarn OBE Professor Preston King (appointed to serve from 1 August 1997) Dr Janet Kear OBE (appointed to serve from 1 August 1997) Alan Waterworth Voirrey Branthwaite (appointed to serve from 1 August 1997) Barrie Marsh (appointed to serve from 1 August 1997) Frank Prendergast (appointed to serve from 9 September 1997)</p> <p>A register of material interests disclosed by individual Trustees is available for inspection at the Principal Office along with minute book entries of disclosures made at Trustee meetings.</p>
Principal Office of NMGM	The Liverpool Museum, William Brown Street, Liverpool, L3 8EN
Bankers	National Westminster Bank plc P O Box 138 22 Castle Street Liverpool L69 2BE

Auditors National Audit Office
Buckingham Palace Road
London
SW1W 9SP

Solicitors Cuff Roberts
100 Old Hall Street
Liverpool
L3 9TD

Review of Developments, Activities and Achievements

Duties and Responsibilities The primary purposes of NMGM are defined by the Merseyside Museums and Galleries Order 1986; they are to:

- (a) care for, preserve and add to the collections of NMGM;
- (b) secure that the collections are exhibited to the public;
- (c) secure that the collections are available to persons seeking to inspect them in connection with study or research, and;
- (d) 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.

Corporate Plan NMGM delivers its objectives via a number of business programmes which are developed in the form of a Corporate Plan covering a current financial year and the three years beyond. Included within the Corporate Plan is a Funding Agreement made with the Secretary of State, DCMS, describing the key outputs sought in the year.
Copies of the Corporate Plan are available from the Principal Office.

Organisation NMGM has five operating divisions reporting to the Director of NMGM:—
The Liverpool Museum Division,
The Maritime Museum Division,
The Art Galleries Division,
The Conservation Division and,
The Central Services Division

The Director's office is located at the Liverpool Museum. The Director of NMGM is appointed by the Board of Trustees with the approval of the Secretary of State Department for Culture, Media and Sport and is responsible for the general exercise of the Board's functions. He is also the Accounting Officer for the grant-in-aid. The Director and the Divisional Heads of NMGM comprise the Directorate Group which develops policy and management issues within NMGM.

Achievements and Activities

900,000 visits were made to NMGM in 1997-98

The principal achievements of the year were:

- the successful extension of admission charges under the Eight Pass scheme,
- four major awards for the Conservation Centre,
- the Outline Bid for NMGM 2001 received endorsement from the HLF,
- retention of the Investor in People award,
- the servicing of a number of major outward loans, notably *Art Treasures of England*,
- the establishment of video conferencing links with Merseyside schools,
- the delivery of an extensive scholarship programme,
- the development and adoption of a Volunteers Policy,
- the addition to the collections of a number of important items including a rare pair of McNair watercolours and a phaeton,
- the staging of an attractive and varied temporary exhibition programme including the nationally important *John Moores Liverpool Exhibition 20*,
- significant improvements in the profit performance of the subsidiary trading company, NMGM Enterprises Limited.

Financial Review**Account**

The account is prepared in a form directed by the Secretary of State for Culture, Media and Sport, in accordance with Sections 9(5) and 9(6) of the Museums and Galleries Act 1992 and complies with the Charities Act 1993, the Charities (Accounts and Reports) regulations 1995 and the Statement of Recommended Practice: Accounting by Charities (SORP).

**NMGM 2001:
Lottery Bid**

In December 1997 NMGM submitted a bid for funding assistance to the Heritage Lottery Fund. The bid was entitled NMGM 2001: A CELEBRATION OF THE LINKS BETWEEN ART, HISTORY AND SCIENCE. The gross capital cost of the project is £32.265 million and the Heritage Lottery Fund (HLF) was asked to consider making a grant of £24.199 million.

The bid followed the submission of an Outline Bid in January 1997 and covered a schedule of works at the Liverpool Museum, the Walker Art Gallery and the Museum of Liverpool Life.

The bid encompasses the refurbishment and reservicing of heritage buildings, the creation of new storage space and the development of new displays and attractions. It represents an important contribution to the cultural heart of Merseyside.

NMGM received the consent of the DCMS both to submit the final bid and to acquire unencumbered freehold possession of the Mountford Building. The Mountford Building forms part of a row of buildings on William Brown Street and intersects with the Liverpool Museum (NMGM currently occupies the two upper floors of the Mountford Building).

Discussions with the Liverpool John Moores University in respect of the purchase of the unencumbered freehold of the Mountford Building have commenced and contracts are expected to be exchanged in the near future.

During the year expenditure on the professional fees incurred in the development of the scheme amounted to £0.334 million. This expenditure has been treated as a payment in advance and is contained within the debtors and prepayments line of the Balance Sheet. Funding of £500,000 has been taken out of the free funds of NMGM and has been transferred to a Lottery Fund.

A bid in respect of the development of the Juniper Street Store at Bootle, Merseyside was also submitted to the Heritage Lottery Fund. The gross capital cost of this project amounts to £1.720 million and the HLF was asked to make a grant of £1.291 million. If successful the project would facilitate the transfer of significant collections from the highly vulnerable Blundell Street Store to the refurbished, re-roofed and newly-serviced Juniper Street Store.

The Trustees received a letter of notification from the Heritage Lottery Fund on 20 July 1998, stating that the bid had been successful and that an award of up to £23.968 million had been made.

Year 2000 Issues

During the year a report was produced on the risks and remedial costs associated with year 2000 computer compliance issues. The risks to NMGM flowing from internal operating systems and associated supply issues were not considered substantial and no major system failure was envisaged. The payroll and accounting systems carried with them the possibility of partial failure in some areas and as a consequence both systems will be updated, the remedial process having commenced in 1997/98.

The year 2000 costs incurred in 1997/98 amounted to £13,000.

The year 2000 costs remaining to be covered consist of:-

- best case £41,150
- worst case £98,000

There are a number of wider risks associated with the failure of embedded chip systems within society as a whole and these could impact upon NMGM and its operations.

Revaluation of Land and Buildings

A revaluation of the land and buildings was carried out on the 1 April 1997. The revaluation produced a deficit of £3.207 million.

Trading Subsidiary	NMGM wholly owns a subsidiary trading company, NMGM Enterprises Limited, which provides a range of catering, retail and general support services. The merchandising income and the costs of operation are shown within the consolidated Statement of Financial Activities. The assets and liabilities of the subsidiary trading company are combined with those of NMGM within the Balance Sheet. (See note 8, page 21.)
Connected Charities	A note concerning the charitable trusts associated with NMGM but not consolidated within the main account can be found on page 23.
Prompt payment to creditors	NMGM 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 1997/98 84% of NMGM's creditors were paid within 30 days of the invoice date.
Admission charges	Continuing financial pressures, mainly associated with the loss of purchasing power brought about by flat or falling grant-in-aid settlements, led to the Trustees reluctantly agreeing to introduce admission charges to all NMGM venues with effect from the 8 July 1997. In order to maximise access to the collections NMGM developed the concept of an annual pass with a modest coverprice and an appropriate concessionary rate allowing the visitor 12 months access to the galleries. The introduction of charging brought with it a VAT recovery advantage and, for the first time, all of the costs within the account are free of unrecovered VAT.
Statement on the employment, training and development of disabled persons	NMGM and its subsidiary continued to apply established policies with regard to the employment, training and development of disabled persons. Full and fair consideration is given to applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities. Appropriate training is arranged for people with disabilities, including retraining for employees who become disabled, to promote their career development within NMGM.
Statement on the arrangements made in the year for securing the health, safety and welfare at work of employees	A comprehensive Health & Safety Risk Assessment Plan is in place for each of NMGM's buildings. A full time, fully qualified Health & Safety Officer is in post and an H&S Committee consisting of management, unions and staff meets to consider H&S issues. Staff concerns at site level are reflected upward through a network of H&S representatives.
Statement on the involvement of employees in the affairs, policy and performance of NMGM	Staff are actively encouraged to become involved in the assessment of the policies and performance of NMGM. The Trustees' deliberations and resolutions are disseminated through the Corporate Plan, Divisional and Departmental meetings, circulation of Board minutes and newsletters. The decisions of the Directorate Group and specific working groups are communicated through a briefing process through the Divisional and Departmental structures. NMGM has <i>Investor in People</i> status and staff training and development is seen as a key task of the management programme.

Fund-raising

The Trustees greatly appreciate the financial support received in the form of grants and charitable donations during the year. They wish to specifically acknowledge the contributions made by:

ABSA
The Barbinder Trust
PH Holt Charitable Trust
Department of Environment
Regent Management
Institution of Civil Engineers
The Leverhulme Trust
Museums & Galleries Commission
The Monument Trust
The Headley Trust
Save & Prosper Educational Trust
The British Council
Merseyside Development Corporation
The Louis Nicholas Residuary Trust
JP Jacobs Charitable Trust
Duchy of Lancaster Benevolent Fund
The Derald H Ruttenburg Foundation
The Earl of Derby's Charitable Trust
The University of Utrecht
Liverpool John Moores Exhibition Trust
The Rainbow Property Company*
Rosemary Kendall
Friends of the National Museums & Galleries on Merseyside
Friends of the Maritime Museum
Government Office for the North West
National Art Collections Fund
HM Customs & Excise
Lord Leverhulme's Charitable Trust
Family and Friends of the King's Regiment
Ruth Davies
John F Taylor
The Viscountess Mersey
Richard Ellis
Radio Merseyside
Charles Elston
English Nature

**The Rainbow Property Co Ltd is an award winner under the Pairing Scheme which is a Government Scheme managed by ABSA (Association for Business Sponsorship of the Arts).*

Special thanks also go to Lady Vaizey whose appeal to current and past Trustees raised £9,650. A further appeal in lieu of birthday gifts raised an additional £1,700.

Future Developments

Gower Street Estates Limited

NMGM to take part in the formation of a new company, Gower Street Estates Limited (GSEL), which is to manage the areas within the Albert Dock formerly managed by the Merseyside Development Corporation (MDC). The MDC ceased to exist as a body on the 31 March 1998.

GSEL will be a company limited by guarantee, the other members being the investment lessees within the affected parts of the Albert Dock estate. NMGM will be nominating a Director to serve on the Board of Directors.

NMGM 2001: NMGM's Full Bid to the National Heritage Lottery Fund

Work will continue on the development of the essential planning and design requirements and the associated fund-raising campaign will continue. Once funding is in place, the primary funding contracts signed and the various consents of DCMS and Liverpool City Council have been received the specifications will be advanced with a view to the main construction contractor being on site by September 1999.

Admission Charges

On Friday 24 July 1998 the Secretary of State for the Department for Culture, Media and Sport announced a new approach to investment in culture. This new approach proposes an increase in free access to national museums. The financial implications of the statement are being considered by the Trustees.

Richard Foster
Director and Accounting Officer
National Museums & Galleries on Merseyside

6 August 1998

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 and Galleries on Merseyside are required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The account is prepared to show a true and fair view of the National Museums & Galleries on Merseyside's financial activities during the year and of its financial position at the end of the year.

In preparing the account the Trustees are required to:

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director of the National Museums and Galleries on Merseyside 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 Government Accounting.

Richard Foster

Director and Accounting Officer

National Museums & Galleries on Merseyside

6 August 1998

* a copy of which is available from: The Director, National Museums & Galleries on Merseyside, the Liverpool Museum, William Brown Street, Liverpool.

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

I certify that I have audited the financial statements on pages 10 to 27 under the Museums and Galleries Act 1992. These financial statements have been prepared under the historic cost convention and the accounting policies set out on pages 15 to 27.

Respective responsibilities of the Trustees, the Director and Auditors

As described on page 8 the Trustees and the Director of the Museum as the Accounting Officer are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Museums & Galleries Merseyside and of the Group at 31 March 1998 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended and have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and with the directions made thereunder by the Secretary of State for Culture, Media and Sport.
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

30 September 1998

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

Statement of Financial Activities for the year ended 31 March 1998

	Notes	Unrestricted funds £000	Restricted funds £000	Total 1998 £000	Total 1997 £000
Incoming resources					
Grant-in-aid	2	13,127	—	13,127	13,123
Admissions		507	—	507	257
Land and property usage		203	—	203	174
Provision of services		788	—	788	608
Donations		13	772	785	1,002
Merchandising income	8	1,542	—	1,542	1,258
Investment income	7	226	33	259	209
Total incoming resources		16,406	805	17,211	16,631
Resources expended					
Collection purchases		213	87	300	235
Operating expenditure		15,242	1,086	16,328	16,034
Costs of merchandising	8	1,452	—	1,452	1,215
Total resources expended	4	16,907	1,173	18,080	17,484
Net outgoing resources before notional costs and transfers between funds					
		(501)	(368)	(869)	(853)
Notional cost of capital	1(j)	(4,407)	—	(4,407)	(4,576)
Transfers between funds		3	(3)	—	—
Net outgoing resources after notional costs and transfers between funds					
		(4,905)	(371)	(5,276)	(5,429)
Reversal of notional cost of capital		4,407	—	4,407	4,576
Net outgoing resources					
		(498)	(371)	(869)	(853)
Movement on investment assets:					
Revaluation of tangible fixed assets	6	(3,494)	287	(3,207)	—
Net movement in funds					
		(3,992)	(84)	(4,076)	(853)
Fund balances brought forward at 1 April 1997		69,896	8,052	77,948	78,801
Fund balances carried forward at 31 March 1998					
		65,904	7,968	73,872	77,948

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

The notes on pages 15 to 27 form part of these accounts.

Consolidated Summary Income and Expenditure Account Unrestricted Free Income Funds for the year ended 31 March 1998

	1998 £000	1997 £000
Income		
Grant-in-Aid	12,727	12,348
Admissions	507	257
Land and property usage	203	174
Provision of services	788	608
Donations	13	33
Merchandising income	1,542	1,258
Investment income	226	182
	16,006	14,860
Expenditure		
Collection purchases	213	78
Operating expenditure (excluding depreciation)	13,568	12,876
Costs of merchandising	1,452	1,215
	15,233	14,169
Surplus on free income funds before transfers between funds	773	691
Transfers to designated funds	(782)	—
Transfers from restricted funds	3	—
	(6)	691
(Deficit)/surplus on free income funds for the year	(6)	691
Balance brought forward at 1 April 1997	1,343	652
Balance carried forward at 31 March 1998	1,337	1,343
The balance on free income funds comprised:		
Collection purchasee fund	—	7
C & E admissions	24	26
Academic publications	66	49
Income development	—	3
General funds	1,247	1,258
Balance at 31 March 1998	1,337	1,343

Restricted income amounting to £805,000 (1997—£996,000) was received in the year.

The notes on pages 15 to 27 form part of these accounts.

Consolidated Balance Sheet as at 31 March 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible assets	6	<u>71,162</u>	<u>75,733</u>
Current assets:			
Stock—goods for re-sale		145	146
Debtors	9	1,551	1,672
Cash at bank and in hand	17(d)	<u>2,813</u>	<u>3,414</u>
		4,509	5,232
Creditors: amounts falling due within one year	10	<u>(1,799)</u>	<u>(3,017)</u>
Net current assets		<u>2,710</u>	<u>2,215</u>
Net assets		<u>73,872</u>	<u>77,948</u>
 Represented by:			
Income funds			
Restricted funds	12	7,968	8,052
Unrestricted funds:			
Designated funds	12	64,657	68,638
General funds	12	<u>1,247</u>	<u>1,258</u>
Total funds		<u>73,872</u>	<u>77,948</u>

The notes on pages 15 to 27 form part of these accounts.

Richard Foster
Director and Accounting Officer
National Museums & Galleries on Merseyside

6 August 1998

Balance Sheet as at 31 March 1998

	1998 £000	1997 £000
Fixed assets		
Tangible assets	71,060	75,671
Investment in NMGM Enterprises Limited	240	140
	<u>71,300</u>	<u>75,811</u>
Current assets:		
Stock—goods for re-sale	44	51
Debtors	1,589	1,681
Cash at bank and in hand	2,582	3,338
	<u>4,215</u>	<u>5,070</u>
Creditors: amounts falling due within one year	<u>(1,662)</u>	<u>(2,940)</u>
Net current assets	<u>2,553</u>	<u>2,130</u>
Net assets	<u>73,853</u>	<u>77,941</u>
Represented by:		
Income funds		
Restricted funds	7,967	8,052
Unrestricted funds:		
Designated funds	64,657	68,638
General funds	1,229	1,251
Total funds	<u>73,853</u>	<u>77,941</u>

The notes supporting the consolidated balance sheet on page 12, together with the information on the subsidiary company, NMGM Enterprises Limited, contained in Note 8, are considered sufficient to support the amounts included in the above balance sheet of the parent undertaking.

Richard Foster
 Director and Accounting Officer
 National Museums & Galleries on Merseyside

6 August 1998

Consolidated Cash Flow Statement for the year ended 31 March 1998

	Notes	1998 £000	1997 £000
Net cash inflow from operating activities	17(a)	231	1,826
Capital expenditure and financial investment	17(b)	(832)	(1,515)
		<u>(601)</u>	<u>311</u>
Management of liquid resources	17(b)	465	(155)
(Decrease)/increase in cash in the year	17(c)	<u>(136)</u>	<u>156</u>

The notes on pages 15 to 27 form part of these accounts.

Notes forming part of the Financial Statements

Accounting policies 1(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 9(4) and 9(5) of the Museums and Galleries Act 1992.

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings (and in respect of the connected charities (note 14), the revaluation of listed investments to market value at the balance sheet date). They have also been prepared in accordance with applicable accounting standards and generally accepted accounting practice in the United Kingdom.

Consolidated financial statements have been prepared for NMGM and its subsidiary company NMGM Enterprises Limited. In addition a separate balance sheet has been prepared for NMGM alone.

(b) Incoming resources

All income is accounted for on a receivable basis.

Grant-in-Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the Statement of Financial Activities in the year to which it relates.

Lottery income is recognised as and when the conditions for its receipt have been met.

(c) Expenditure

Expenditure is classified under the type of expense.

(d) Collection purchases

NMGM's collections have not been capitalised in the balance sheet since they are considered to be inalienable. The costs of additions to the collections are written off in the year of acquisition.

(e) Fund accounting

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purpose and use of designated funds are set out in the notes to the financial statements.

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

(f) Tangible fixed assets

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

Freehold buildings	50 years
Long leasehold buildings	over the lease term up to a maximum of 50 years
Furniture and fittings	4 years
Motor vehicles	4 years

(g) Stock

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

(h) Leases

NMGM has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

(i) Pensions

NMGM's staff are employed on terms, conditions and rates of pay determined by the Trustees. Staff meeting the eligibility requirements are entitled to membership of the Principal Civil Service Pension Scheme and the conditions of the Superannuation Acts, 1965 and 1972 apply. For 1997-98 contributions were made to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury; for 1997-98 the rates were:

Band 1	11%
Band 2	13.5%
Band 3	17.5%
Band 4	19.5%

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. In 1997-98 the employer's contribution was 5% of basic salary for all members plus 1.5 per cent of basic earnings above the lower earnings limit for those members who have contracted out of SERPS.

(j) Notional costs

In accordance with Treasury guidance, notional costs of capital are charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. These are reversed so that no provision is included on the balance sheet.

Grant-in-Aid 2 £13,127,000 of "Grant-in-Aid" has been received during the year (1997: £13,123,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-aid was allocated to:

	1998 £000	1997 £000
General fund	12,496	12,248
Deferred government grant	400	775
Collection purchase fund	206	75
Academic publications	25	25
	<u>13,127</u>	<u>13,123</u>

Payment of Grant-in-Aid is made by the Department for Culture, Media and Sport from the Department for Culture, Media and Sport Class X Vote 1.

Auditors remuneration	3	1998 £000s	1997 £000s
Net outgoing resources before transfers is stated after charging an audit fee of		<u>22</u>	<u>21</u>

Total resources expended	4	Staff costs £000	Other costs £000	Depreciation £000	1998 Total £000	1997 Total £000
Collection purchases		3	297	—	300	235
Operating expenditure		8,201	5,948	2,179	16,328	16,034
Costs of merchandising		675	760	17	1,452	1,215
		<u>8,879</u>	<u>7,005</u>	<u>2,196</u>	<u>18,080</u>	<u>17,484</u>

Staff costs	5	NMGM £000	NMGM Enter- prises £000	Total 1998 £000	Total 1997 £000
Wages and salaries		6,927	638	7,565	7,226
Social security costs		497	32	529	530
Pension costs		780	5	785	784
		<u>8,204</u>	<u>675</u>	<u>8,879</u>	<u>8,540</u>

The number of employees whose emoluments as defined for taxation purposes amounted to over £40,000 in the year was as follows:

	1998	1997
£40,001 to £50,000	3	3
£50,001 to £60,000	—	1
£60,001 to £70,000	1	—

The average number of employees analysed by division was:

	1998	1997
Directorate	13	11
Conservation	67	57
Art Galleries	19	16
Liverpool Museum	67	67
Maritime Museum	24	19
Central Services	284	272
Cleaning Services	95	98
NMGM Enterprises	136	94
	<u>705</u>	<u>634</u>

Trustees

The Trustees neither received nor waived any emoluments during the year (1997: £nil). Expenses reimbursed to Trustees amounted to £4,691 (1997:£6,000)

Director

The Director's total employment costs in 1997-98 amounted to £90,022 comprising £70,000 salary, £6,372 national insurance contributions and £13,650 pension contributions.

The Director's service contract commenced 1 April 1997 and expires 31 March 2002.

Tangible fixed assets	6				Total £000	
		Land £000	Buildings £000	Furniture & Fittings £000		Motor Vehicles £000
Cost/valuation						
At 1 April 1997		2,519	79,223	7,531	106	89,379
Effect of revaluation		(984)	(9,650)	—	—	(10,634)
		<u>1,535</u>	<u>69,573</u>	<u>7,531</u>	<u>106</u>	<u>78,745</u>
Additions		—	444	364	24	832
Disposals		—	—	—	(14)	(14)
At 31 March 1998		<u>1,535</u>	<u>70,017</u>	<u>7,895</u>	<u>116</u>	<u>79,563</u>
Depreciation						
At 1 April 1997		—	7,427	6,116	103	13,646
Reset on revaluation		—	(7,427)	—	—	(7,427)
		—	—	6,116	103	6,219
Additions		—	1,400	789	7	2,196
Disposals		—	—	—	(14)	(14)
At 31 March 1998		<u>—</u>	<u>1,400</u>	<u>6,905</u>	<u>96</u>	<u>8,401</u>
Net book value						
At 31 March 1998		<u>1,535</u>	<u>68,617</u>	<u>990</u>	<u>20</u>	<u>71,162</u>
At 31 March 1997		<u>2,519</u>	<u>71,796</u>	<u>1,415</u>	<u>3</u>	<u>75,733</u>

The net book value of land and buildings comprises

	£000
Land	1,535
Freehold Buildings	38,005
Long leasehold Buildings	30,612
	<u>70,152</u>

The land and buildings were valued at 1 April 1997 by NMGM's Estates and Valuation Officer, J Hendry ARICS, in accordance with the latest RICS Statement of Asset Valuation and Guidance Notes using Depreciated Replacement Cost (DRC) conventions or Open Market Value (OMV) as appropriate.

Property	Valuation at 1 April 1997 £000	Basis of 1997 Valuation	Net book value of land and buildings at 31 March 1998 £000
Freehold properties			
Lady Lever Art Gallery	7,922	DRC	7,766
County Sessions House	715	DRC	702
Walker Art Gallery	8,422	DRC	8,542
Liverpool Museum	14,467	DRC	14,183
Sudley House	864	DRC	847
Maritime Park	5,692	DRC	5,582
Blundell Street Store	43	OMV	42
Juniper Street Store	430	OMV	423
Maritime Car Park	525	OMV	525
Service Centre, Dale Street	720	OMV	856
			<u>39,468</u>
Long leasehold Properties			
Oratory	123	DRC	121
Maritime 'D' Block	19,471	DRC	19,083
Piermaster's House	681	DRC	668
Liverpool Museum	2,660	DRC	2,606
Conservation Centre	7,732	DRC	7,577
Service Centre Dale Street	N/A	N/A	N/A
Walker Art Gallery	638	DRC	625
Irwell Street	4	OMV	4
			<u>30,684</u>
Net book value of land and buildings at 31 March 1998			<u>70,152</u>

Liverpool Museum

The Trustees do not possess clear freehold title to that part of the Mountford Building which is occupied by Liverpool Museum. The first three floors of the Mountford Building are in the possession of the Liverpool John Moores University; the two upper floors are in the possession of NMGM.

An assumption has been made since 1 April 1986 that the Trustees are the Freeholders of the Mountford Building with Liverpool John Moores University taking the entire building under a head lease, the two upper floors of the building then being sub-leased to NMGM.

Walker Art Gallery

Two areas of the Walker Art Gallery are in "joint occupation" with Liverpool City Libraries. Until resolution of the ownership issue is completed it is assumed that the area occupied by NMGM at the rear of the building is held on a long leasehold basis.

The Trustees are continuing in their attempts to establish clear title to the areas within the Liverpool Museum and the Walker Art Gallery mentioned above.

Much progress has been made in the year, and statutory declarations have been drafted for completion by the City of Liverpool. NMGM and the other occupants have been in undisputed possession of the properties for many years. Statutory declarations have been made and NMGM's clear title will be registered in 1998-99.

Investment income	7 All of the investment income derives from returns on short term deposits with National Westminster Bank plc:	1998	1997
		£000	£000
	Interest receivable	<u>259</u>	<u>209</u>

Trading subsidiary 8 NMGM owns the whole of the issued share capital of NMGM Enterprises Limited (NMGME), a company registered in England and Wales. The company's principal activities consist of the provision of catering services to NMGM and conferencing and retailing services within the museums and galleries controlled by NMGM.

A summary of the results and net assets of NMGME is shown below.

Results	Retail	Services and		Total	Total
	£000	Catering	Conferencing	1998	1997
		£000	£000	£000	£000
Turnover	500	688	354	1,542	1,258
Cost of sales	<u>277</u>	<u>230</u>	<u>6</u>	<u>513</u>	<u>411</u>
Gross profit	223	458	348	1,029	847
Other expenses	<u>199</u>	<u>422</u>	<u>318</u>	<u>939</u>	<u>804</u>
Net profit	<u>24</u>	<u>36</u>	<u>30</u>	90	43
Amount covenanted to NMGM				<u>77</u>	<u>32</u>
Profit retained by NMGME				<u>13</u>	<u>11</u>
Balance Sheet				1998	1997
				£000	£000
Fixed assets				102	62
Current assets				413	229
Current liabilities				<u>(255)</u>	<u>(144)</u>
Net assets				<u>260</u>	<u>147</u>
Share capital and reserves				<u>260</u>	<u>147</u>

Debtors	9	1998 £000	1997 £000
Trade debtors		136	94
Other debtors and prepayments		1,182	1,455
Taxation recoverable		233	123
		<u>1,551</u>	<u>1,672</u>

Creditors: amounts falling due within one year	10	1998 £000s	1997 £000s
Trade creditors		575	520
Other creditors and accruals		1,063	2,342
Taxation and social security		161	155
		<u>1,799</u>	<u>3,017</u>

Financial commitments	11	At 31 March 1998 NMGM had annual commitments under non-cancellable leases as follows:			
		1998 Land and Buildings £000	1998 Other £000	1997 Land and Buildings £000	1997 Other £000
Operating leases which expire over five years		<u>17</u>	<u>120</u>	<u>17</u>	<u>95</u>

Statement of Funds	12	At 1 April 1997 £000	Income £000	Expend- iture £000	Revaluation and Transfers £000	At 31 March 1998 £000
Unrestricted funds						
Designated funds:						
Collection purchase fund		7	206	(213)	—	—
C&E admissions		26	15	(17)	—	24
Academic publications		49	69	(55)	3	66
Income development		3	—	(3)	—	—
Capital reserve		55,993	—	(1,059)	(1,635)	53,299
Capital reserve revaluation		1,277	—	—	(1,277)	—
Deferred government grant		11,112	400	(546)	(411)	10,555
Deferred government grant revaluation		171	—	—	(171)	—
General capital		—	—	(69)	282	213
NMGM 2001		—	—	—	500	500
Total designated funds		<u>68,638</u>	<u>690</u>	<u>(1,962)</u>	<u>(2,709)</u>	<u>64,657</u>
General funds		<u>1,258</u>	<u>15,716</u>	<u>(14,945)</u>	<u>(782)</u>	<u>1,247</u>
Total unrestricted funds		<u>69,896</u>	<u>16,406</u>	<u>(16,907)</u>	<u>(3,491)</u>	<u>65,904</u>

	At 1 April 1997 £000	Income £000	Expend- iture £000	Revaluation and Transfers £000	At 31 March 1998 £000
Restricted funds					
Collection purchases	60	60	(87)	2	35
Development fund	7,872	745	(1,083)	355	7,889
Development revaluation reserve	120	—	—	(120)	—
Lottery Lutyens	—	—	(3)	47	44
Total restricted funds	8,052	805	(1,173)	284	7,968
Total funds	77,948	17,211	(18,080)	(3,207)	73,872

**Analysis of group net
assets between funds**

	13	Unres- tricted funds £000	Res- tricted funds £000	Total £000
Fund balances at 31 March 1998 are represented by:				
Tangible fixed assets		64,037	7,125	71,162
Net current assets		1,867	843	2,710
		65,904	7,968	73,872
Revaluation deficit and unrealised gains included above on tangible fixed assets		(1,887)	421	(1,466)
Total unrealised gains at 31 March 1998		(1,887)	421	(1,466)

Connected Charities

14 Eleven charitable trusts, grouped within two common investment schemes, are connected to NMGM via a commonality of trusteeship and a close association of charitable purpose. The trusts enjoy exempt charitable status by virtue of the second schedule to the 1993 Charities Act.

The earliest of the trusts was created in 1873, and all eleven existed before NMGM was formed in 1986.

The Charity Commissioners have authorised the creation of two common investment schemes, one for the trusts whose capital is expendable and one for the permanent endowments.

The accounts of these connected charities for the year ended 31 March 1998 are summarised as follows:

Income Account	1998	1998	1997	1997
	£000	£000	£000	£000
Gross income		83		88
Administration expenses		(4)		(4)
Net distributable income		<u>79</u>		<u>84</u>

The net distributable income has been applied as follows:

Maritime History Research Fellowship	4		4	
NMGM Operating Expenses	32		33	
Collection Purchase Fund	26		29	
Merchant Navy Gallery Dev. Fund	17	79	18	84
		<u>79</u>		<u>84</u>

Capital Account	Total 1998	Non Expendible Capital	Expend-able Capital	Total 1997
	£000	£000	£000	£000
Capital accounts at 1 April 1997	2,109	1,437	672	1,966
Net profits on sales in year	14	8	6	9
Surplus on revaluation to 31 March 1998	547	377	170	169
Capital expended in year	—	—	—	(27)
Fees associated with capital accounts	(13)	(9)	(4)	(8)
Capital accounts at 31 March 1998	<u>2,657</u>	<u>1,813</u>	<u>844</u>	<u>2,109</u>

**Customs & Excise
National Museum**

- 15 The Trustees of NMGM act as custodians and Trustees of the collections that constitute the National Collections of the Board of Customs & Excise (C&E).

Possession of the National Collection has passed to NMGM under a deed of trust which allows NMGM to hold and display the National Collection for a period not exceeding 21 years from April 1994.

NMGM receives from the C&E an annual Grant-in-Aid which allows the National Collection to be displayed and interpreted alongside NMGM's other national collections. Payments by C&E in respect of grant-in-aid are made from the Customs & Excise Administration Vote, Class XVII, Vote 5.

Capital Grants

The development of the permanent gallery and associated facilities has taken place with the assistance of capital grants from C&E. 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:

Application of Funds	£000
Total funds received as at 1 April 1997	853
Funds received in year	—
Total funds received as at 31 March 1998	853
Funds applied as at 1 April 1997	739
Funds applied in year	29
Funds applied as at 31 March 1998	768
Unapplied capital funding at 31 March 1998	85

Funds applied in the year relate to:

Capital Project	£000
Refurbishment of Phase 1	29
Funds applied in the year	29

Running Cost Grant-in-Aid

NMGM receives an annual Grant-in-Aid in respect of the running costs of the National Museum. The grant also covers the conservation of collection items and purchases for the collection.

The funding position for 1997-98 is as follows:

Application of Funds	£000
Unapplied funds as at 1 April 1997	5
1997-98 Grant-in-Aid	255
	260
Funds applied to the running of the museum	260
Unapplied funds as at 31 March 1998	—

Running cost Grant-in-Aid is agreed on an annual basis with Customs and Excise.

Capital commitments 16

	1998	1997
	£000	£000
Capital expenditure commitments were as follows:		
Contracted for but not provided in accounts	—	—
Authorised by the Board of Management, but not contracted for	—	2,245

Cash flow information	17	1998 £000	1997 £000
(a) Reconciliation of changes in resources to net cash inflow from operating activities.			
	Net outgoing resources	(869)	(853)
	Depreciation	2,196	2,585
	Decrease/(increase) in stocks	1	(44)
	Decrease in debtors	121	1,130
	Decrease in creditors	(1,218)	(992)
	Net cash inflow from operating activities	231	1,826
(b) Analysis of cash flows			
Capital expenditure and financial investment:			
	Payments to acquire tangible fixed assets	832	1,515
Management of liquid resources:			
	(Decrease)/increase in short term deposits	(465)	155
(c) Reconciliation of net cash flow to movement in net funds			
	(Decrease)/increase in cash in the year	(136)	156
	Cash (decrease)/increase from movements in short term deposits	(465)	155
	Movement in net funds in the year	(601)	311
	Net funds at 1 April 1997	3,414	3,103
	Net funds at 31 March 1998	2,813	3,414
(d) Analysis of net funds			
		1 April	Cash
		1997	Flow
		£000	31 March
			1998
			£000
	Cash at bank and in hand	(36)	(136)
	Short term deposits	3,450	(465)
	Net funds	3,414	(172)
			2,985
			2,813

Cash is placed upon short term deposit until it is required to cover the presentation of cheques issued. The negative figure shown against *cash at bank and in hand* does not therefore signify the existence of a bank overdraft.

**Related Party
Transactions**

- 18 NMGM is a Non-Departmental Public Body whose parent department is the Department for Culture, Media and Sport (DCMS). The DCMS is regarded as a related party. During the year, NMGM had a number of transactions in the normal course of business and at full arm's length with the Department.

Colin Amery was a Trustee of NMGM and the Museum of London. Professor Michael Kauffmann is a Trustee of NMGM and a member of the Executive Committee of the National Art Collections Fund. Professor John Last CBE is a Trustee of NMGM and Chairman of the Museum Training Institute. Lady Vaizey is a Trustee of NMGM, the Imperial War Museum and the Geffrye Museum, and is a member of the Crafts Council. Sir David Wilson is a Trustee of NMGM, a Commissioner of English Heritage and Chairman of the Advisory Panel of the National Heritage Lottery Fund. The Director of NMGM, Richard Foster, is a member of the Museums & Galleries Commission and a Trustee of the Horniman Museum.

NMGM received grants from the following public sector bodies: The National Art Collections Fund, the National Heritage Memorial Fund, the Association for Business Sponsorship for the Arts, English Heritage, HM Customs & Excise, the Merseyside Development Corporation, the European Regional Development Fund, the Liverpool City Council and the Metropolitan Boroughs of Knowsley, St Helens, Sefton and Wirral.

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