

# National Museums and Galleries on Merseyside Annual Report and Accounts 2012-2013

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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# **National Museums & Galleries on Merseyside**

## **Annual Report for the year ended 31 March 2013**

### **Introduction**

#### **Legal and Administration**

##### **Status**

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

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

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

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

##### **Structure, Governance and Management**

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

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

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

##### **Trustees**

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

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

## **National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2013**

The Board of Trustees during the year comprised:

Professor Phil Redmond CBE Chairman  
Prof John Ashton CBE  
Carmel Booth  
Laura Carstensen  
Sir Robert Crawford CBE  
Dr Clive Elphick (appointed 10 September 2012)  
Joe Godwin (appointed 8 June 2012)  
Nisha Katona  
Norman A Kurland  
Andrew McCluskey (appointed 8 June 2012)  
Tony McGuirk CBE (appointed 8 June 2012)  
Philip Price (appointed 10 September 2012)  
Neil Scales OBE  
Deborah Shackleton CBE  
Dr Nicola Thorp

### **Trustee committees**

The following Trustee committees met during the year:

Audit Committee, Chair – Deborah Shackleton CBE  
Museum of Liverpool Project Committee, Chair – Neil Scales OBE  
Development Trust, Chair – Professor Phil Redmond CBE  
Finance Committee, Chair – Carmel Booth  
Remuneration Committee, Chair – Deborah Shackleton CBE

### **Register of interests**

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

Related party transactions are shown in note 20.

### **Open government**

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

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

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

**National Museums & Galleries on Merseyside**  
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**Principal and Registered Office of NML**

World Museum  
William Brown Street  
Liverpool  
L3 8EN

**Bankers**

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

**Auditors**

**Consolidated Account**

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

**Trading Company**

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

**Solicitors**

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

Gateley  
98 King Street  
Manchester  
M2 4WU

Weightmans  
100 Old Hall Street  
Liverpool  
L3 9QJ  
for employment  
law (previously Mace and Jones)

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

## **National Museums & Galleries on Merseyside Annual Report for the year ended 31 March 2013**

### **Management**

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

Director and Accounting Officer, National Museums Liverpool (David Fleming);  
Executive Director of Development and Communications (Amy de Joia);  
Executive Director of Finance (Ann Monk);  
Executive Director of the Museum of Liverpool Project (Sharon Granville);  
Executive Director of Education, Communities and Visitor Services (Carol Rogers) and;  
Director of Human Resources (Maxine Carden).

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

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

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

- World Museum (formerly Liverpool Museum) – William Brown Street, Liverpool;
- Walker Art Gallery - William Brown Street, Liverpool;
- Merseyside Maritime Museum – Albert Dock, Liverpool;
- International Slavery Museum – Albert Dock, Liverpool;
- Lady Lever Art Gallery – Port Sunlight Village, Bebington, Wirral;
- Sudley House – Mossley Hill Road, Liverpool: and
- Museum of Liverpool – Albert Dock, Liverpool opened in 2011.

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

### **Human Resources**

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

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

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

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

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

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

### **Annual Report for the year ended 31 March 2013**

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

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

#### **Disabled Persons**

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

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

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

#### **Staff Resource Strategy**

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

NML is aware of the need to maximise efficiency whilst delivering improved performance and is continually assessing the manner in which business is delivered, and potential job losses.

#### **Volunteer Programme**

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

NML is currently undergoing a restructure and has been unable to commit to new volunteers during the year. This has led to a temporary reduction in volunteer opportunities to 483 (2011-12 700).

#### **Health & Safety Policy**

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

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

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**Director's Statement**

This has been an extremely successful year for NML, with record numbers of visitors and all-time high totals for trading income and cash donations from the public. This is the result of a decade of continuous improvement and modernisation, based on solid principles and values relating to our role as an accessible museum service that maintains the highest professional standards.

NML is one of the leading museum services in the world in showing how museum activity can be of real benefit to communities and our expertise is in constant demand. Our commitment to social justice is unwavering and we have become a pivotal part of the social and economic fabric of Liverpool and the surrounding area.

As a result of our performances, our reputation in the museum world continues to grow, and we were pleased this year to be awarded the Council of Europe Museum Prize for 2013 for the Museum of Liverpool, a new museum that in so many ways captures the essence of NML: popular, emotional, critically-acclaimed, innovative and progressive.

Yet, these successes have been recorded against a background of declining public funding, which has led to our losing jobs and cutting back on levels of activity in many areas of our work. While our momentum has to an extent disguised the real picture, the fact is that NML is doing far less now than we did in the previous year, and at some stage this is going to be reflected in our overall performance – we cannot expect to see audiences continuing to grow when we are having to cut back on our exhibitions, marketing, educational programmes and capital improvements. We are doing what we can to augment our income, of course, but the level of cuts in public funding will never be compensated for through income-generation.

So, we look to an uncertain future at a time when we ought to be celebrating our renaissance as one of the world's leading museums services, with staff determination and commitment coexisting with anxiety and frustration. What we can be sure of that is that we will all continue to work hard to make NML as relevant as possible, with a social impact that is as great as we can manage.

**Dr David Fleming OBE**  
**Director and Accounting Officer**

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2013**

### **Operating Review**

NML's mission is *to change lives by enabling millions of people, from all backgrounds, to engage with our world-class museums.*

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

NML has continued to prioritise the public offer wherever possible and as a result NML did have a very successful 2012-13. The following is a summary of NML's key achievements during the year.

### **Audiences**

2012-13 marked another record-breaking year for visitor numbers – with 3.3m visitors, a 2% increase on 2011-12, and our highest visitor numbers ever. 166,084 children and young people took part in NML's education programme during the year (a 27% increase on last year), and we had 2,077,530 website visits.

We were delighted to welcome HM The Queen and HRH The Duke of Edinburgh to the Merseyside Maritime Museum for a special lunch on 17 May 2012 in honour of Her Majesty's Diamond Jubilee.

We held 23 exhibitions across our venues. Particular highlights included:

- at the International Slavery Museum: *Oil Boom, Delta Burns: photographs by George Osodi*;
- at the Lady Lever Art Gallery: *A Pre-Raphaelite Journey: Eleanor Fortescue-Brickdale and Fresh Perspectives: Art from Wirral Schools* at the Lady Lever Art Gallery;
- at the Merseyside Maritime Museum: *Titanic and Liverpool: the untold story* - our most successful exhibition ever at any venue;
- at the Museum of Liverpool: *Liverpool Tapestry, Liverpool Love, and Beryl Bainbridge, Painter*;
- at Sudley House: *An Age of Confidence and 20<sup>th</sup> Century Chic: 100 years of women's fashion*;
- at the Walker Art Gallery: *Rolf Harris: Can you tell what it is yet?* - our most successful exhibition ever at the Walker; *John Moores Painting Prize 2012; In Seven Days, and New Works at the Walker*; and
- at World Museum: *Wild Planet*; and NML played host to the Pirate Ship used in the latest film by Aardman for Sony Pictures Animation '*The Pirates! In an Adventure with Scientists*'.

We held our most successful Slavery Remembrance Day ever. Dr Martin Luther King III delivered the 2012 Slavery Remembrance Day Memorial Lecture and led the Walk of Remembrance through the city. The Dock Traffic Office building was renamed the Martin Luther King Jr building at a special dedication ceremony. More than 5,000 people attended the events held over three days, which we delivered in partnership with Liverpool City Council.

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To celebrate the Diamond Jubilee weekend, the waterfront venues hosted the *Tide is High* event which attracted more than 8,000 visitors. The weekend included lifeboat trips of the docks, youth dance performances and shanty singing.

Polish language tours were developed at the Walker Art Gallery. The first tours were piloted as part of Light Night 2012 and more than 50 Polish speaking visitors took part.

The World Museum Education team delivered *Creepy Crawly Week* as part of National Insect Week, engaging more than 4,000 visitors. Events included close encounters with spiders and scorpions, craft activities, tours of entomology and a chance to meet researchers from the University of Liverpool and the Liverpool School of Tropical Medicine.

Visitor Host tours at the World Museum included a *History and Highlights* tour for local blue badge guides and Mary Seacole House (a local mental health charity). The initiative led to an increased awareness of World Museum

We hosted a number of events in partnership with *Homotopia*, to celebrate Liverpool's annual festival of lesbian, gay, bisexual and transgender arts and culture.

We redesigned our website to maximise new and repeat visits (went live March 2013) and we partnered with a local Software company (Damibu) to produce an innovative App 'Tic-tac Tourist', to plan tourist trips to Liverpool.

In addition to broadening access by growing our visitor base in 2012-13, we continued to focus on attracting as diverse an audience as possible. Every year we conduct ongoing profiling surveys to monitor the socio-economic background, ethnicity, age, gender and geographic origin of our visitors. We also collect information about the proportion of visitors who are disabled and information about types of disability. These figures are benchmarked against local, regional and national population statistics and trends are analysed to inform future programming and policy. We are no longer required by DCMS to report on visitor profile as KPIs, but we continue to gather this information to help us to ensure that we continue to deliver a socially inclusive museum service. Visitor profiling statistics from 2012-13 will be available in July 2013 and published on our website.

### **Collections**

The conservation of the 1938 locomotive *Lion*, centrepiece of the Port City gallery at the Museum of Liverpool, received a Heritage Engineering award from the Institute of Mechanical Engineers.

Archaeology fieldwork continues in the region and the most notable find this year was an internationally-significant Mesolithic site at Lunt Meadows, Sefton. This produced rare evidence of Mesolithic structures, and will assist in our understanding of the nature of society in the Mesolithic period. The excavation has attracted national press and media attention and featured on BBC's *Inside Out* programme.

We developed an on-line standard for the migration of collections to the Web, and good progress was made in data migration during the year. Our first three collections went live during the year.

140 art works on paper have now been conserved and are ready for digitisation. Digitisation of the collections started in August.

We became a contributor to the Google Art Project, with 150 pieces of artwork from the Walker Art Gallery collection displayed on the Google Art Project website.

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Improved environmental monitoring systems were put in place at venues and at our main collections store to allow monitoring of the conditions by site-based staff following the departure of the Environmental Officer under voluntary severance.

We received gifts from both public and private sources. Of particular note was Barbara Hepworth's *Two Spheres in Orbit*, 1973. Previously a long loan to the Walker Art Gallery, the sculpture was Accepted in Lieu of Inheritance Tax by HM Government. Yoko Ono donated a room-sized installation artwork entitled, *Liverpool Skyladders*, which had featured in the 2008 Liverpool Biennial. Professor Ivor Abrahams and Evelyne Abrahams through the Art Fund presented *Head of the Stairs*, a large painted sculpture by Ivor Abrahams.

We acquired a substantial number of Liverpool history items including those related to the Liverpool Overhead Railway. We received the gift of a pre-production model of the Range Rover Evoque from the locally-based company, Jaguar Land Rover. The Hillsborough Family Support Group donated a mosaic art work, entitled *United in Justice*, which was created by local artist, Alan Wynne to commemorate the release of the Hillsborough Independent Panel's findings in September 2012. Olympic relay torchbearer, Paul McEvoy donated the tracksuit that he wore while carrying the Olympic torch in Liverpool 2012.

We acquired a number of field walking and excavation archives from projects in the Merseyside area and the North West, consisting of finds, paper and digital archives from commercial excavations undertaken in advance of development work.

The artist Lubaina Himid donated two works; *Naming the Money*, an ambitious piece that reveals the immense human cost of the transatlantic slave trade and a sculpture entitled, *We Will Be*.

A ship model of the Harrison Line vessel, 'Plainsman' was bequeathed by the wife of one of the owners of the company, Thos & Jas Harrison. We also received a number of items from members of the Derbyshire Family Association, to support the exhibition commemorating the loss of the vessel and the impact upon the families and Liverpool.

Other highlights in the year include the acquisition of 24 Tibetan opera masks which were commissioned from the Tibetan Institute of Performing Arts and funded by the Molly Tomlinson Bequest.

Collection loans to NML were made to support special exhibitions, permanent displays and collections research. We borrowed a significant group of documents relating to Titanic first officer Henry Wilde and his family for inclusion in our exhibition *Titanic & Liverpool: the untold story*.

The Bibby Line Group, owners of the *MV Derbyshire*, lent us a wonderful ship model of the *MV English Bridge* and family members of the crew lost in the disaster lent personal items.

As part of a reciprocal loan arrangement with the Museum of Fine Arts, Budapest, we were delighted to receive two works rarely seen in the UK: *Jael and Sisera* by the 17th century Italian Baroque artist Artemesia Gentileschi, and *Mother and Child* by Pablo Picasso. Both works were on display with the permanent collections during the year.

Loans to temporary exhibitions at the Walker and Lady Lever Art Gallery included works from public and private collections to the exhibition, *A Pre-Raphaelite Journey: Eleanor Fortescue Brickdale* and more than 75 works of art, and ephemera for the highly successful exhibition *Rolf Harris: Can you tell what it is yet?*

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This year saw the renewal of many loans to Museum of Liverpool along with the addition of a

We borrowed an Olympic torch from the London 2012 torch relay and bronze medal from the Beijing 2008 Paralympic Games as part of the World Museum displays to celebrate the London 2012 Olympic and Paralympic Games.

Aardman Animation lent a 4m long galleon and two puppets, both of which featured in the recently released film *'Pirates in an Adventure with Scientists'* for display at World Museum.

Loans of NML collections were made to a range of special exhibitions at home and abroad, for inclusion in permanent displays and to support national and international research in the arts and sciences.

Material from the maritime history collections travelled to venues in Australia, as part of the touring exhibition, *On Their Own: Britain's Child Migrants*, a powerful exhibition which tells the story of the forced migration of thousands of British children in the 19th and early 20th centuries. The exhibition was a collaborative project between NML and the Australian National Maritime Museum.

Edward Poynter's painting, *Faithful unto Death*, went to The Getty Villa, Malibu and the Cleveland Museum for Art to the exhibition, *The Last Days of Pompeii: Decadence, Apocalypse, Resurrection*. NML's important Pre-Raphaelite collection was also in demand. Five works, including *The Scapegoat* by William Holman Hunt and *Isabella* by Sir John Everett Millais were lent to Tate Britain for inclusion in their major Pre-Raphaelite show. One work, *Spring, Arnside Knot from Warton Crag* by Daniel Alexander Craig travelled with the exhibition to the National Gallery of Art, Washington.

Other significant loans during the year include *Landscape with the Gathering of the Ashes of Phocion* by Nicolas Poussin and *The Murder* by Paul Cezanne, to the Museum of Fine Arts, Budapest for which NML received reciprocal loans.

Loans of our urban history collections supported local and regional exhibitions. An early 19th century working dog's spiked collar was lent to The Manchester Museum for inclusion in their temporary exhibition, *Breed: The British and Their Dog*. The Smithy Heritage Centre, St. Helens received 29 items excavated from the Crow Lane Hall site, Newton-le-Willows for display in their exhibition, *Trowels and Tribulations*. Gallery Oldham borrowed a knitting frame and guide cane for display in an exhibition to celebrate 175 years of Henshaws Society for Blind People.

We lent 163 items from the ethnology and antiquity collections to a two venue touring exhibition in Taiwan entitled, *Quest for Treasures*.

The Kingston Brooch went to the Goldsmith's Hall, London as part of an Olympic themed exhibition entitled *'Gold: Britain's Glorious Riches'*. In addition, five ivory panels from our world class collection of ivories travelled to the Magedeburger Museen for inclusion in their exhibition, *Otto the Great and the Roman Empire*.

Items from our ethnology collections, previously owned by the renowned Victorian Dutch female explorer, Alexine Tinne, were lent to the Historical Museum in the Hague for inclusion in their exhibition, *Alexine Tinne – the African Adventures of a Lady from The Hague*.

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Closer to home, we lent Bolton Museum an Egyptian mummy of an elderly male, Padiamun, 'Doorkeeper of the Temple of Amun' at Thebes, for display with their permanent collections. A cat mummy and canopic jar from the Egyptian collections were loaned to a touring exhibition entitled, *Mark Leckey Curates: The Universal Addressability of Dumb Things*, an art exhibition organized by the Hayward Gallery, London which has toured to a number of UK venues including the Bluecoat Gallery in Liverpool.

Our natural science collections continued to support national and international scientific research with loans of specimens to several institutions including, the Natural History Museum, London; Musee Nationale d'Histoire Naturelle, Paris; and University Museum of Zoology, Cambridge. Geology specimens were lent to a touring exhibition entitled '*Trapped in Time: 600 Million Years of Fossils*' arranged by the Grosvenor Museum to tour to North West venues.

### **Education**

Our education and communities teams produced a creative and engaging cultural education programme for early years children, primary and secondary schools, special education schools, the Youth service, Further Education and Higher Education students, international students, adult learners and voluntary sector organisations, including diverse community groups.

867 primary schools and 643 secondary schools and colleges visited NML on 4178 separate occasions during the year. In total, 166,084 children and young people took part in the NML formal education programme and more than 241,092 took part in our informal education programme.

To celebrate a city wide Early Years Festival, *Little Learners* was staged at Museum of Liverpool in conjunction with the Walker Art Gallery. The event re-established NML with key contacts from the Early Years network and raised the profile of *Big Art for Little Artists* (Walker Art Gallery) and *Tiny Liverpool* (Museum of Liverpool). Both programmes offer early years' sessions for babies and toddlers 0-24 months.

To mark the 25<sup>th</sup> anniversary of Black History Month in Britain (October), the education team at the International Slavery Museum delivered a special events programme which included Anti-Slavery International collaborating with *City Hearts* (an organisation that helps victims of human trafficking).

*World Space Week* took place at World Museum in October 2012. The education team delivered a series of live events in the Planetarium where visitors could participate in virtual tours to their favourite planets, constellations or galaxies, and explore the Earth using satellites. The project was made possible with a grant from the Science and Technology Facilities Council (STFC) and Association of Science and Discovery Centres (ASDC). Education staff from the Planetarium delivered a series of activities to coincide with BBC Stargazing Live. The event took advantage of the BBC's national publicity and attracted an audience of over 300 visitors. The event included a number of craft activities and stargazing competitions. Bay TV made a short video of the event.

Students from Weatherhead High School, Wirral have become *Young Artists in Residence* at the Walker Art Gallery. Working with the art galleries education team they plan to develop their portfolios of art work to create displays and events for their peers, and other visitors to the Walker.

The Walker Art Gallery education team took part in the annual *Kids in Museums Takeover Day*, in November. The day is organised by the national Kids in Museums Campaign to promote family friendly museums and galleries. Young children at *Big Art for Little Artists* were

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invited to be our reporters for the day. The children were provided with personal digital cameras which enabled them to capture their experiences.

The *House of Memories* dementia awareness training programme at the Museum of Liverpool, secured additional funding from the Department of Health and the Liverpool Primary Care Trust (part of DALLAS: delivering assisted living lifestyles at scale). To date, more than 2,000 carers have participated from across Merseyside and Cheshire.

#### **Team**

We implemented the third voluntary severance scheme to give staff a measure of control over what happens to them in the face of the funding cuts. We reviewed the outcome and impact of the voluntary severance scheme and implemented interim arrangements to ensure day to day reporting lines are clear.

Four work experience trainees from the Liverpool City Council project *Liverpool at Work* were attached to Visitor Services (at the Museum of Liverpool, Walker Art Gallery, Merseyside Maritime Museum and the World Museum) for four weeks in March/April 2013. The purpose was to provide the trainees with work experience in the tourism and culture sector.

We continue to focus on the internal development of staff through maximising opportunities for cross functional working and by reviewing new ways of working within the organisation. Existing volunteers continue to learn alongside staff members who, in turn, gain experience from developing and supervising others in this way. Staff have received training on 'Safeguarding of children and vulnerable adults', in order to ensure that awareness is in place to support both staff and visitors.

#### **Buildings**

Following completion of the Museum of Liverpool building and the majority of the fit out in 2011-12, the ongoing focus of the organisation continues on essential maintenance of NML's extensive estate.

At the Museum of Liverpool, the in-house Estates team undertook the fit out works to the new theatre. This circa 200 seat new facility opened to the public on the 28 March 2013.

Extensive works to the Lady Lever Art Gallery roof were commenced in preparation for the wider capital scheme at the gallery taking place in 2013-14. Other major works at the venue included concrete parapet repairs, boiler replacement and improvements to the intruder detection system.

Major lift refurbishment works were undertaken at World Museum and the building's flat roof was replaced. The World Museum planetarium was refurbished with a new Zeiss digital projection system donated in 2011-12. Since this refurbishment we have run 12 months without any technical issues.

Infrastructure improvements to the Maritime Museum included boiler replacement, structural repairs and compressor replacement.

Infrastructure improvements at the Walker included the roof works, emergency lighting replacement and upgrades to the access control system.

Structural repairs and re-pointing of the Pier Master's house were completed.

#### **Partnerships**

Our partnerships were strengthened and extended during the year through collaboration with the education and business sectors, local NHS healthcare partners, local and regional social

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care providers, the regional cultural sector, the voluntary sector, other national museums, and our international cultural and educational partners. Highlights include:

- our formal partnership with Liverpool Hope University to create projects and programmes around our shared commitment to social justice;
- successful delivery of the third year of the *Old Dock Experience*, in partnership with Grosvenor (begun in May 2010);
- *Big Bang*, delivered in partnership with Maestro, (regional Science, Technology, Engineering and Mathematics provider). 61 primary and 33 secondary schools took part in 32 education activities, with more than 5,000 school children participating;
- a new partnership with the Liverpool School of Tropical Medicine for the development of a major new exhibition on parasites;
- successful completion of our second series of regional touring exhibitions as part of the North West Regional Museum Touring Exhibitions Group – working with museums in Oldham, Stockport, Brindley and Birkenhead;
- continued co-ordination of our HLF-funded Positive Action Trainee programme, working with our programme partner, NWFED, and museums across the region;
- held the third conference of the Federation of International Human Rights Museums (FIHRM) in November 2012, under the auspices of UNESCO and ICOM. The conference was attended by 90 delegates from 16 countries around the world;
- our work for INTERCOM, the international ICOM Committee for museum management - managing its website and helping to co-ordinate its annual meeting which took place in Sydney this year, on the theme of Museum Challenges; and
- hosted a six week internship for a postgraduate student from the National Taiwan University of Arts, School of Art, Culture, Policy and Management, as part of our Memorandum of Understanding with the Taiwanese university. Senior NML staff have travelled to Taiwan during the year to give lectures and work with students on projects.

### **Advocacy**

We had media mentions worth £7.3m Estimated Advertising Value (EAV) this was slightly down on 2011-12 which is understandable given that 2011-12 was the year that the Museum of Liverpool opened. However, 2012-13 was significantly up on 2010 (£4.8m).

We were delighted to win 16 awards during the year, and were shortlisted or highly commended for 19 others, including:

- **Council of Europe Museum Prize 2013:** Museum of Liverpool;
- **Merseyside Environment Awards:** Museum of Liverpool (Carbon Champion);
- **Museum & Heritage Awards:** Museum of Liverpool (Sustainability);
- **Don't Panic- UK Public Sector Communications Awards:** Museum of Liverpool;
- **Heritage Engineering Awards:** Lion locomotive, Museum of Liverpool;
- **Regional Chamber Awards:** Museum of Liverpool (for Sustainability; and Marketing Campaign); NML (Excellence in Customer Service);
- **Liverpool City Region Tourism Awards:** Museum of Liverpool (Marketing), Museum of Liverpool People's Opening (Tourism Event of the Year), NML Trading Ltd (Excellence in Business Tourism);
- **UK Public Sector Sustainability awards:** NML (most sustainable public sector

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

### **Annual Report for the year ended 31 March 2013**

organisation in government);

- **Liverpool Post Arts Awards:** *'Rolf Harris: Can you tell what it is yet?'*;
- **Ambassador Awards:** Ben Sheeran, NML Trading (Chef of the Year); Andrew Dickey, NML Trading (highly commended) Sarah Han (highly commended);
- **Art Fund Unsung Museum Heroes award:** Michael Quinn;
- **Wirral Tourism Awards for Excellence:** Sandra Penketh (Manager of the Year); Lady Lever Art Gallery team (shortlisted for Team of the Year); and
- **Kids in Museums Family Friendly:** World Museum (highly commended).

Internationally, we continued to develop relationships that relate especially to our human rights work at the International Slavery Museum, to the management challenges faced by museums worldwide, and to city history museums. This included co-ordinating the work of the Federation of International Human Rights Museums, of INTERCOM (the international ICOM committee that deals with management and leadership) and of the European Museum Forum. During the year NML staff were invited to give lectures in Estonia, Latvia, Germany, Albania, Taiwan and Australia.

### **Income**

We continued to develop our strategy to generate other income during the year including the following highlights:

- NML Trading Ltd made £483k profit (to be transferred to NML by way of Gift Aid), the highest recorded profit in the company's 20 year history;
- we secured major trust, foundation and private sector funding support (cash and pledges) for our capital developments, including significant funding towards the Lady Lever Art Gallery South End refurbishment project;
- we secured major funding from the Liverpool Primary Care Trust for the House of Memories programme, and additional funding from the Department of Health to extend House of Memories to Newcastle;
- Professor Phil Redmond CBE and Mrs Alexis Redmond MBE generously supported the annual Federation of International Human Rights Museums (FIHRM) conference, and the Diamond Jubilee lunch at the Merseyside Maritime Museum;
- our donations boxes raised £207K a 19% increase on last year and our highest ever recorded figure;
- we secured international hire fees for two of our exhibitions: *Plantastic!* (to Kuwait) and *Eye for Colour* (to Germany);
- several commercial publications were produced during the year including:
  - the Museum of Liverpool souvenir book which has become the best-selling NML publication and the best-selling item in the Museum of Liverpool shop;
  - Eleanor Fortescue-Brickdale: A Pre-Raphaelite Journey;
  - John Moores Painting Prize 2012 catalogue; and
- we entered into a partnership with City Explorer Bus, which generates income for NML through bus ticket sales. The bus facilitates visits between William Brown Street and the waterfront and has resulted in improved promotion to tourist visitors.

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2013**

### **Efficiencies and effectiveness**

To manage ongoing reductions to our funding, we have continued to develop our Making Choices programme which is focused on restructuring NML and how we work in line with the revised funding base whilst aiming to maintain sufficient flexibility to respond to opportunities. Following the departure of 53 staff during the year a number of interim structural changes have been put into place while we continue to develop our plans to re-design the organisation and build solid contingency plans for the future.

Our wholly owned subsidiary NML Trading Ltd has delivered a profit of £483k (2011-12 £141k) during the year which has provided much needed support to our operations. This growth is due to a revised focus of approach within the organisation itself and working together with the wider local community to maximise partnership opportunities and synergies that have occurred within the year.

Our Risk Management process has been reviewed and the Risk Management policy updated in line with best practice.

### **Strategic Objectives for 2013-2014**

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

- **To continue to mitigate the effects of funding cuts.**
- **To do our best to continue to deliver an excellent, socially inclusive, entrepreneurial and sustainable museum service.**
- **To re-engineer NML as a smaller organisation, while striving to maximise our public impact.**

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

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

## **Financial Review**

### **Overview**

NML receives the majority of its revenue and capital funding from the DCMS, in the form of Grant-in-Aid. For the year NML received £22,061,000 (£21,875,000 2011-12) including £500,000 in year, towards restructuring costs.

As a result of Grant-in-Aid funding reductions NML continued with its Making Choices programme which saw a significant reduction of staff (53) during the year due to the latest voluntary exit programme which was provided for in the 2011-12 financial year. This resulted in a reduction in activity and in year savings on staff costs. NML will continue to review its operations to ensure that appropriate contingency plans are in place and that it continually strives to deliver excellent value for money.

The consolidated revenue free funds are shown on page 22. The surplus for the year was £2,836,000 resulting in a total revenue free fund balance of £4,848,000 as at 31 March 2013.

Net incoming resources, before transfers and gross indexation of tangible fixed assets, for the year were £578,000. An indexation of land and buildings as at 31 March 2013 produced a revaluation loss of £1,588,000. A revaluation of investments produced a surplus of £76,000 resulting in a total decrease in revaluation funds of £1,512,000.

### **Reserves Policy**

The consolidated free income reserve available at 31 March 2013 was £4,848,000 (£2,012,000 2011-12). This is inclusive of designated funds of £268,000 (£259,000 2011-12) and the general fund £4,580,000 (£1,753,000 2011-12). The General fund includes £187,000 which is the fixed asset representation of the subsidiary trading company. The resulting free income reserve representation is £4,393,000 (£1,528,000 2011-12). The largest individual reason for the increase is due to a provision being made for restructuring costs in the prior year (2011-12) which resulted in an accounting surplus being applied to the General fund in the current year.

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

The current spending review covers a period of four years from 2011-12 to 2014-15 and shows a reduction in resource Grant-in-Aid of 15% in real terms over the four year period. Reductions have already been confirmed for years three and four. The DCMS have also notified NML that further reductions in years three and four (2013-14 and 2014-15) of the spending review period could be imposed and contingency plans should be in place. As a result Grant-in-Aid funding no longer carries the level of certainty that could be relied upon in the past.

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

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

Whilst Grant-in-Aid represents a significant proportion of NML's gross income (74% in 2012-13) and is therefore less volatile than self-generated income, the Trustees remain concerned about the levels of reserves, particularly given that further reductions to Grant-in-Aid could be imposed during the coming financial years.

The Trustees have determined that the current level of reserves will be adequate in respect of 2013-14 although this should continue to be reviewed during the year so that any issues are identified at the earliest opportunity. NML's ability to generate any increase in the general reserve will continue to be an area of focus to provide contingency for any further reductions to funding.

#### **Capital Programme**

Following the opening of the Museum of Liverpool during 2011-12. A few areas of remaining fit out activity have been carried out during the year. The largest of these areas involved the installation of the Global Theatre which is a circa 200 seat cinema.

This work has been funded from a range of sources including; ERDF, HLF, DCMS and other significant donors.

A legal case for rectification of design errors on the external steps and terraces to the building is currently being pursued.

The remainder of the capital programme was focussed on smaller projects including critical repairs and refurbishments plus the upgrade of disaster recovery equipment for IT systems.

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

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

Historically NML has held an unapplied receipt from the disposal of a property within its capital reserve account. £215,393 in respect of 63/65 Blundell Street, Liverpool, continues to be held unapplied. Application consents were received from DCMS In March 2002.

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### **Fundraising**

We continued to attract support from a wide variety of sources including trusts, foundations, the public and private sector and individuals. Major grant payments or funding pledges were received from:

- Department of Health and Liverpool Primary Care Trust towards the House of Memories programme;
- Lord Leverhulme Charitable Trust and the Garfield Weston Foundation towards the South End capital development at Lady Lever Art Gallery; and
- Professor Phil Redmond CBE and Mrs Alexis Redmond MBE towards the Federation of International Human Rights Museums (FIHRM) and the Diamond Jubilee lunch at the Merseyside Maritime Museum.

We continued to attract generous support from local businesses and extended our relationship with the business community. Nine organisations were members of NML's corporate members scheme during 2012-13. Hill Dickinson LLP, David M Robinson Ltd, R S Clare & Co Ltd, Mersey Docks & Harbour Company – Peel Ports, Barclays Wealth, DWF, Pierhead Housing, Conductix-Wampfler Limited and the University of Liverpool.

Our donations boxes income increased by 19% on last year (2011-12) with our highest ever amount of £207,421 recorded for 2012-13.

NML would like to thank all donors, sponsors and grantors who have contributed throughout 2012-13.

### **Development Trust**

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

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

### **Trading Subsidiary**

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

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

In 2012-13 NMLT had its most successful year ever, making a profit of £483,018 which will be donated to NML by way of Gift Aid.

### **UK Border Force National Museum**

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

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

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

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

### **Connected Charities**

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

### **Speke Hall**

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

### **Grants**

During the year a new charity, the NML Foundation, was incorporated independently of the museum. The Board of Trustees of National Museums Liverpool has decided to make grants to the NML Foundation of £10,000 in support of its charitable objectives.

### **Gower Street Estates**

NML is a member of Gower Street Estates Limited (GSEL) a company formed to manage those areas within the Albert Dock formerly managed by the Merseyside Development Corporation which ceased to exist as a body on 31 March 1998. The company is limited by guarantee and is non-profit making. The activities of the company are covered by a service charge levied on members which is calculated after taking into consideration any earned income. The service charge applicable to NML for 2012-13 is referred to in note 17.

### **Prompt Payment of Creditors**

NML is aware of the importance of paying suppliers promptly and takes every step to ensure that payments to creditors are made as quickly as possible. In 2012-13 87% (2011-2012 91%) 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 2012-13, £22.1m (74%) of NML's gross income derived from Grant-in-Aid from the DCMS. In addition revenue Grant-in-Aid of £274k was received from UK Border Force. The remaining operating expenditure was financed from self-generated income which tends to be more volatile in nature compared to Grant-in-Aid. NML is therefore exposed to some liquidity risk.

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

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A well managed, planned maintenance programme is essential to maintain the quality of NML's buildings and ensure that they do not fall into a state of disrepair and place public safety and the collections at risk.

A contingent liability exists in respect of legal claims following the construction of the Museum of Liverpool.

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

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

**Donations made**

There were no charitable donations, or political donations paid during the financial year 2012-2013.

**Investments**

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

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

**Investment income**

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

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The statement below is to inform the reader of the results of the Free Income revenue funds for the year. This distinguishes the table from the SOFA which includes capital funds in addition to revenue.

<b>Consolidated Free Funds income &amp; expenditure 2012-2013</b>	<b>2013</b>	2012
	<b>£000</b>	£000
<b>Incoming resources</b>		
Grant-in-Aid DCMS	<b>20,646</b>	20,526
Incoming resources from generated funds:		
Other grants and donations	<b>230</b>	195
Merchandising income of subsidiary company	<b>3,648</b>	2,972
Investment income	<b>34</b>	16
Incoming resources from charitable activities	<b>952</b>	1491
<b>Total incoming resources</b>	<b>25,510</b>	25,200
<b>Resources expended</b>		
<b>Costs of activities in furtherance of the objects of the charity:</b>		
Fundraising costs	<b>378</b>	383
Costs of subsidiary company merchandising	<b>3,010</b>	2,718
Charitable activities;		
Operating expenditure (excluding depreciation)	<b>18,865</b>	20,846
Grants to third parties	<b>150</b>	140
Fees & charges activities of charity staff	<b>407</b>	418
Governance costs	<b>267</b>	250
<b>Total resources expended</b>	<b>23,077</b>	24,755
<b>Surplus on free income funds before transfers between funds</b>	<b>2,433</b>	445
<b>Transfers to/from funds</b>	<b>403</b>	(1,539)
(Deficit)/surplus on free income funds for the year	<b>2,836</b>	(1,094)
Balance brought forward at 1 April	<b>2,012</b>	3,106
Balance carried forward at 31 March	<b>4,848</b>	2,012
The balance on free income funds comprised:	<b>2013</b>	2012
	<b>£000</b>	£000
UKBA admissions	<b>103</b>	93
A:		
M:		
G:		
B:		

It should be noted that the Fixed Assets of the subsidiary trading company NMLT Ltd £187k are contained within the General funds balance. The full NMLT representation within the fund is £373k.

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**Capital Projects**

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

**Audit**

Under statute the Comptroller and Auditor General is the principal auditor of the Museum's consolidated account for the year 2012-13. The audit fee in respect of this work was £48,000. BWMacfarlane and Co are the auditors of NML's trading company account and the audit fee in respect of this work was £7,929. Non-audit services were not provided by either of these auditors.

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

## **Sustainability Report**

### **Summary of performance and future strategy**

NML is committed to sustainability and sustainable development, and we have been working hard for many years to understand, manage and reduce energy consumption across our estate, and in doing so, reduce the carbon impact on society. Our actions culminated in NML being placed joint first in the Carbon Reduction National League Tables December 2011, and over the past 16 months NML has received the following awards:

- Joint winner in the Museums & Heritage Sustainability Award, (for the Museum of Liverpool);
- Carbon Champion of the Year in the Merseyside Environmental awards;
- Liverpool Chamber of Commerce Sustainability Award; and
- Most Sustainable Public Sector Organisation in Government Award, Public Sector Sustainability Magazine.

Sustainability is included with NML's vision and values and is an integral part of our strategic objectives. We produced an Energy and Environmental Policy 13 years ago, which led to us implementing energy saving environmental measures, resulting in accreditation from the National Energy Foundation as an energy efficient organisation in 2002. This early policy has since developed into our Sustainability Policy, which may be found on our website:  
[www.liverpoolmuseums.org.uk/sustainability/](http://www.liverpoolmuseums.org.uk/sustainability/)

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

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

The building also benefits from a rain water harvesting system which supplies 'grey' water to the museums toilets. Prior to opening in July 2011 the building achieved a BREEAM rating of Very Good, and an A rated energy performance certificate. The Museum won the Museums & Heritage Award 2012 for Sustainability.

To develop staff involvement and commitment to sustainability, NML has established a Green Forum – which includes staff from each building representing all levels of management, including representation from an Executive Director. The Green Forum has created NML's Sustainability Policy (which has superseded our previous Energy and Environmental Policy), approved by the Executive Team, and an Action Plan. Sub-groups of the forum meet to discuss and develop the organisation's green credentials.

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

NML is a member of the International Association of Museums Facility Administrators (IAMFA). From this group a working party, representing heads of estates and conservation departments in most national museum and library institutions, meets every six months to discuss and evaluate the effect of environmental requirements on energy consumption, and seeks to reduce the future dependence on fossil fuels alone. NML, through its conservation department, has presented a paper at the Munich "Climate for Collections" conference on the reduced dependency of air conditioning in favour of portable humidifiers to deliver controlled conditions.

**Greenhouse gas emissions**

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a new regulatory incentive to improve energy efficiency in large public and private organisations. This mandatory scheme aims not only to improve energy efficiency but also to reduce the amount of carbon dioxide (CO<sup>2</sup>) emitted in the UK. Every organisation whose annual half hourly metered electricity was above 6,000 MWh in 2009-10 was obliged to participate, NML's energy and facilities team submitted energy data reports and evidence of accredited energy management systems in the summer of 2011.

A Performance League Table including 2,104 participants was released in December 2011, placing NML joint first. This high standard was achieved through the initiatives taken over time in order to improve how energy use is measured and more particularly managed.

**Estate wide Carbon impact**

Area		2011-12	2012-13
<b>Greenhouse Gas emissions</b>		10,100 t CO <sup>2</sup> e	9,904 t CO <sup>2</sup> e
<b>Estate energy</b>	Electricity consumption	11,949,047 kWh	11,438,059 kWh
	Expenditure	£948,540	£952,710
	Gas consumption	19,804,230 kWh	20,246,643 kWh
	Expenditure	£544,872	£580,701
<b>Estate Waste</b>	Amount	217.7 tonnes	202.8 tonnes
	Expenditure	£33,588	£35,536
<b>Estate Water</b>	Consumption	36,792 M <sup>3</sup>	38,792 M <sup>3</sup>
	Expenditure	£56,190	£61,551

**Note: The statistical information in the table above relating to gas emissions, gas and electrical consumption is from NML's annual CRC report. This was independently verified by TEAM under CRC Registration No, CRC6582231.**

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### **Waste minimisation and management**

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

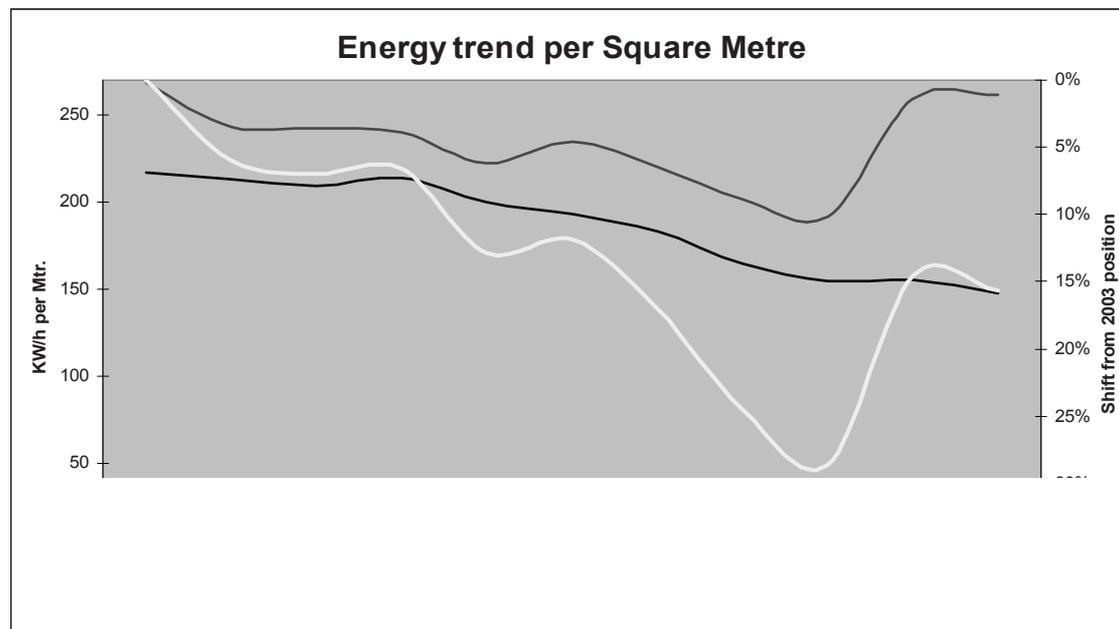
### **Biodiversity and Natural Environment**

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

It is important that visitors understand the role we play in supporting the protection of the natural world. Through our education programmes and the Clore Natural History Centre at World Museum in particular, staff take the opportunity to talk to visitors about issues such as climate change and the importance of natural resources. We have been able to reinforce these messages through our special exhibition programme at World Museum with displays, trails and activities focusing on the theme of biodiversity.

### **Resource consumption**

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

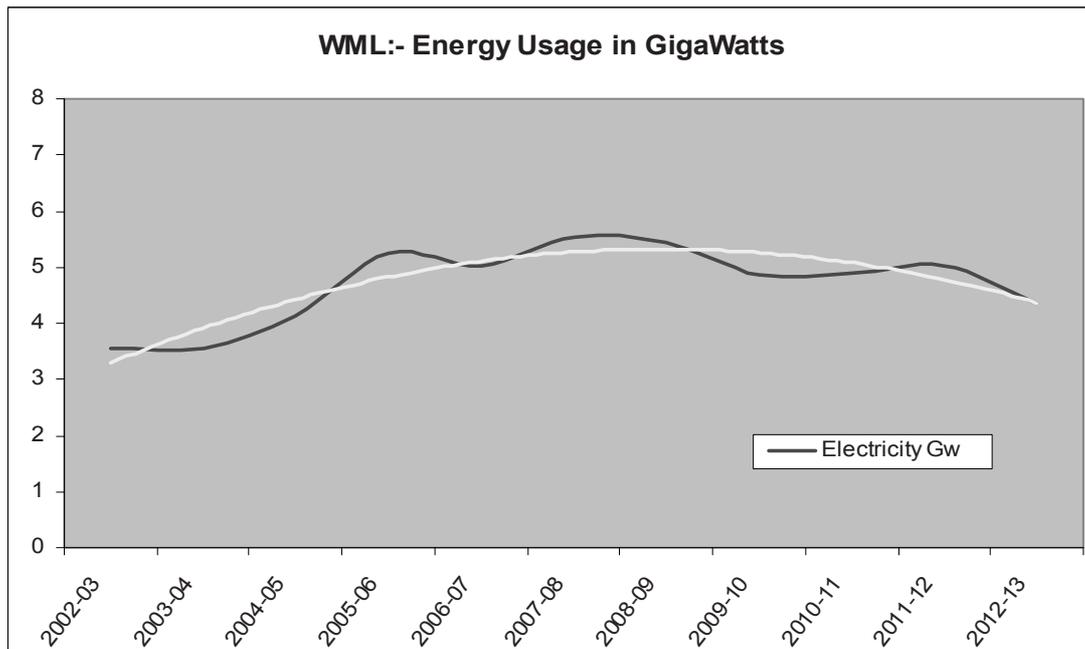


***In July 2011 the new Museum of Liverpool building opened with its expected jump in energy consumed, however our all over reduction remains at 16% below the 2003 levels***

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

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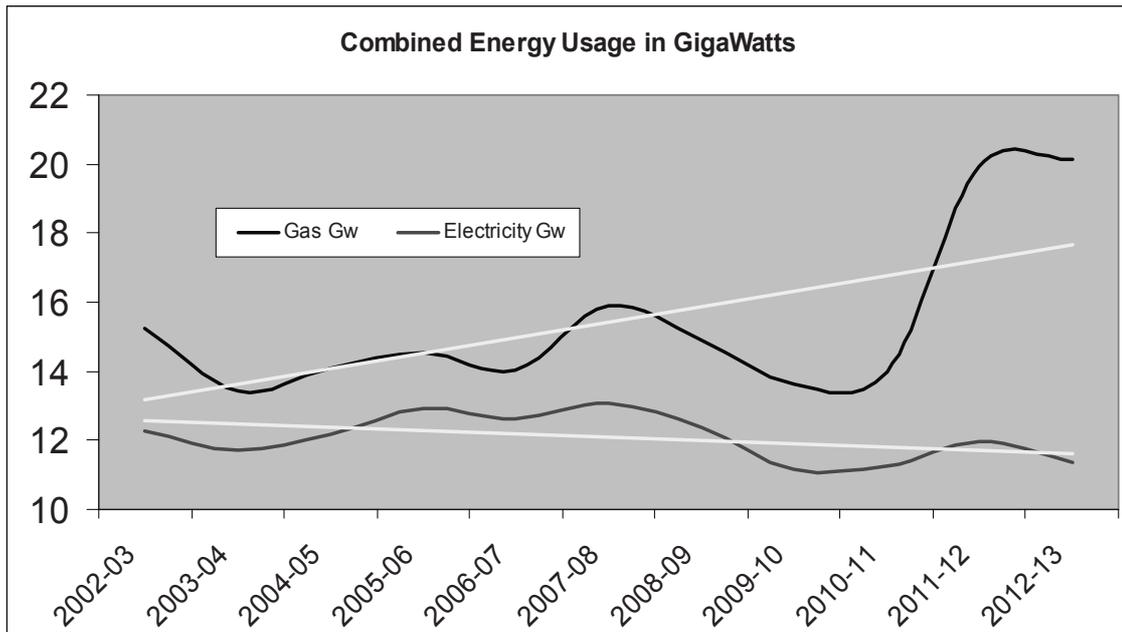
- the introduction of power factor correction equipment, to reduce the adverse effect of motors and fluorescent lights on the system; and
- the introduction of a Voltage Optimisation system at World Museum. An energy stabilising and reducing system was installed. The system is delivering an average of 7% reduction in electrical consumption at the venue. NML funded the scheme through a Government Energy Savings Loan, which is repaid from the energy savings over four years.



**Note: Electrical energy consumption, grew in 2011, due to our dinosaur exhibition, but the trend in general is reducing from the 2008 high, since these principal measures were introduced**

The opening of the Museum of Liverpool in 2011 saw a sharp rise in our energy and CO<sup>2</sup> impact. However, after the first nine months of closely monitoring the pattern of energy usage, we have altered the energy supply strategy giving us a reduction of 0.75Gw of gas in the second reporting year. Despite this achievement our estate wide gas use for heating has risen, due to the unusually long winter period, and the much lower seasonal temperatures, driving up our demand for gas.

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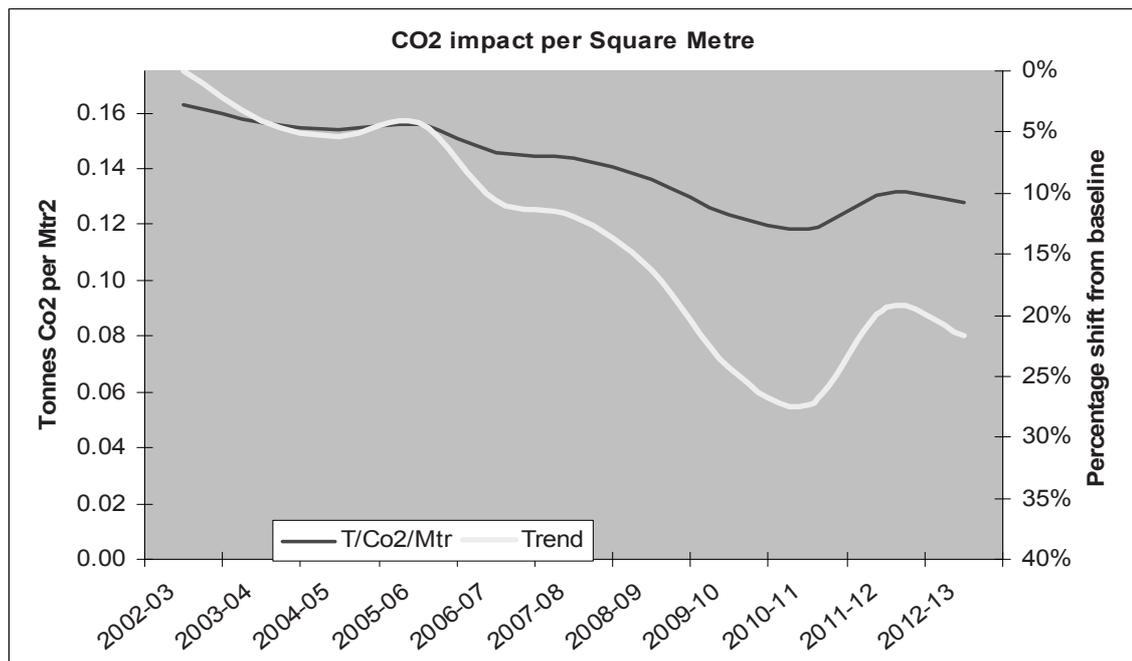


*Despite our heating based gas increase in this reporting year, the small reduction in electricity we have managed to achieve, has contributed to a lower CO2 impact and consequently a small reduction in our CRC payment*

**Climate change adaptation and mitigation**

NML is committed to reducing energy usage and waste to help play our part in climate change mitigation. We encourage the use of public transport for visitors and staff, as well as cycling with secure racks at all museums. In addition, we have showers, lockers and bike loan schemes for staff.

In exceeding the targets set in 2002 for the reduction of energy consumption, NML has over the last 11 years reduced its carbon emissions per m<sup>2</sup> by more than 20%.



### **Sustainable procurement and construction**

NML aims to procure and manage its assets in the most effective way possible, for the procurement of utilities NML uses the government procurement “Buying Solutions” services.

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

In 2012, following a tender and selection process, we introduced a new online system for the purchase of office stationery, with a single company that has strong green credentials, to make the process more efficient, to help us set targets for reducing the amount of paper we use, and to minimise waste.

NML has introduced multi-functional copier/printer devices. This has enabled us to reduce the number of printers per member of staff significantly, and has reduced paper usage whilst improving information security. The default printing option is double-sided and monochrome, again to reduce usage of paper and other resources. Physical prints are not generated until staff confirm the request at the printer, helping to reduce unnecessary prints. As existing photocopiers come out of contract, we will continue to migrate to the preferred multi-functional devices. We have also chosen a supplier of printer cartridges that guarantee own brand 100% recycled cartridges and recycling services to reduce the impact of our non multi-functional devices.

### **People**

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

NML continues to develop its staff, with two members of the senior management team completing the Greener Museums Leadership course as sponsored by Renaissance Northwest.

A study carried out by England’s Northwest Research Service in 2011 found that NML was worth more than £100m to the economy of the Liverpool City Region. This includes visitor spend, staff direct and indirect spend, and the use of local suppliers. For further details, see <http://www.liverpoolmuseums.org.uk/about/corporate/reports/>

### **Environmental Management System (EMS)**

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

**National Museums & Galleries on Merseyside**  
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**Governance**

NML has recently invested in a comprehensive Environmental Monitoring System, which is now common in all buildings. These extra 200 sensors can now be accessed by key staff in all venues, giving closer control of the conditions, dovetailed into this is our contractor's ability to view this new system alongside the Building Management System and thus more accurately control and improve energy efficiency.

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

## **Remuneration Report**

The membership of the Remuneration Committee for the year ending 31 March 2013 comprised:

- Chair of Remuneration and Audit Committee – Deborah Shackleton CBE
- Board of Trustees, Chairman – Prof Phil Redmond CBE
- Finance Committee, Chair – Carmel Booth

The role of the Remuneration Committee is to:

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

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

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

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

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

The performance of the Director is assessed annually by the Trustees and a rate of bonus for the review year is determined. The reporting period for this performance review is 1 April to 31 March. In line with NML's pay year, any payments are effective from 1 October 2012.

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

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

The Director was awarded a non-consolidated bonus of £15,735. The Director made a donation to NML equivalent to the net bonus he received in 2012.

## **National Museums & Galleries on Merseyside** **Annual Report for the year ended 31 March 2013**

There will be a pay freeze for all museum staff for the remainder of the CSR period, except for staff earning less than £21k who received a £250 pay award on 1 October 2012.

The average number of days lost (per employee) due to sickness during the year was 9.7 days, or 4.6 days excluding long term sick in 2012-13, (8.16 days, or 3.42 days excluding long term sick 2011-12).

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

There are six Directorships within NML, these are:

- Director and Accounting Officer;
- Executive Director of Development & Communications;
- Executive Director of Finance;
- Executive Director of the Museum of Liverpool Project;
- Executive Director of Education, Communities and Visitor Services; and
- Director of Human Resources.

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

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

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

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

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

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

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

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

Senior staff are permanent employees of National Museums Liverpool.

The notice periods for staff who wish to resign are:

- Up to Pay-band 7 - 4 weeks minimum; and
- Pay-band 7 and above - 3 months minimum.

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

Please refer to severance tables provided for this information.

**National Museums & Galleries on Merseyside**  
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Two Senior staff members (payband 8) left under the voluntary severance during the year.

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

	Salary Including performance pay 2012-13	Salary Including performance pay 2011-12	Accrued pension at normal retirement age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at normal retirement age	CETV at 31/03/13	CETV <sup>1</sup> at 31/03/12	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
D Fleming Director	105-110 plus non consolidated bonus 15-20	105-110 plus non consolidated bonus 15-20	40-45 Plus lump sum of 115-120	0-2.5 Plus lump sum of 0-2.5	935	877	7
S Granville Executive Director of Museum of Liverpool	70-75	70-75	20-25 Plus lump sum of 70-75	0-2.5 Plus lump sum of 0-2.5	425	397	4
A de Joia Executive Director of Development & Communications	70-75	70-75	20-25 Plus lump sum of 60-65	0-2.5 Plus lump sum of 0-2.5	362	337	5
Carol Rogers Executive Director of Education, Communities & Visitors	65-70	65-70	10-15	0-2.5	161	136	14
Maxine Carden Director of Human Resources	50-55	50-55	15-20 Plus lump sum of 55-60	0-2.5 Plus lump sum of 0-2.5	319	300	2
Ann Monk Executive Director of Finance	60-65	5-10 <sup>2</sup> (60-65)	0-5	0-2.5	15	1	10

- <sup>1</sup>The CETV figure may be different from the closing figure in last year's account. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
- <sup>2</sup>Represents annualised salary.
- There were no benefits in kind received by the Executive Team members.

**Salary**

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

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

### **Annual Report for the year ended 31 March 2013**

#### **Pension**

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

Employee contributions are set at the rate of 1.5%-3.9% of pensionable earnings (depending on salary) for classic and 3.5%-5.9% (depending on salary) for premium, classic plus and nuvos.

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

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

Further details about the Civil Service Pension arrangements can be found at the website [http:// www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

#### **Cash Equivalent Transfer Values**

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

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**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.

The following information and table has been subject to audit:

	<b><u>2012-13</u></b>	<b><u>2011-12</u></b>
<i>Mid-point of Band of Highest Paid Director's Total Remuneration</i>	£127,500	£127,500
<i>Median Total Remuneration</i>	£18,131	£17,881
<i>Remuneration Ratio</i>	7.03	7.13

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

The mid-point of the band of remuneration of the highest-paid director in the National Museums Liverpool in the financial year 2012–13 was £127,500 (2011-12 £127,500). This was 7.03 (2011-12 7.13) times the median remuneration of the workforce, which was £18,131 (2011-12 £17,881).

In 2012–13, nil employees received remuneration in excess of the highest-paid director. Remuneration ranged from £13,227 to £127,500 (2011-12, £12,977 £127,500).

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

There is no real change from the current to the previous financial year apart from staff earning less than £21,000 per annum who were the only staff to receive consolidated pay increases under the terms of the Government's Public Sector Pay freeze. NML entered the pay freeze a year later than most other organisations in the sector.

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The following table has been subject to audit.

1	Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band	
		2011-12	2012-13	2011-12	2012-13	2011-12	2012-13
2	< £10,000	nil	nil	nil	10	nil	10
3	£10,000-£25,000	nil	nil	nil	26	nil	26
4	£25,000-£50,000	nil	nil	nil	11	nil	11
5	£50,000-£100,000	nil	nil	nil	6	nil	6
6	Total number of exit packages	nil	nil	nil	53	nil	53
7	Total resource cost / £000s	nil	nil	nil	1,191	nil	1,191

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

**Dr David Fleming OBE**  
**Director and Accounting Officer**  
**Date: 3 July 2013**

**National Museums & Galleries on Merseyside  
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**FUNDING AGREEMENT PERFORMANCE INDICATORS – 2013 OUTTURN**

Performance Indicator	2011-12 Out-turn	2012-13 Out-turn
<b>Core Targets</b>		
<b>KPI (1)</b> Total number of visits	<b>3,184,995</b>	<b>3,277,303</b>
<b>KPI (2)</b> Charitable giving (fundraising) revenue	<b>1,069,000</b>	<b>885,206</b>
<b>OPI (1)</b> Number of unique website visits*	<b>2,060,889</b>	<b>2,077,530</b>
<b>OPI (2)</b> Number of visits by children under 16	<b>624,259</b>	<b>426,069</b>
<b>OPI (3)</b> Number of overseas visits	<b>394,939</b>	<b>524,368</b>
<b>OPI (4)</b> Number of facilitated & self-directed visits to the museum/gallery by visitors under 18 in formal education	<b>130,764</b>	<b>166,084</b>
<b>OPI (5)</b> Number of instances of visitors under 18 participating in on-site organised activities	<b>235,719</b>	<b>241,092</b>
<b>OPI (6)</b> Percentage (%) of visitors who would recommend a visit	<b>98%</b>	<b>98%</b>
<b>OPI (7)</b> Admissions income (gross income)	<b>289,000</b>	<b>52,213</b>
<b>OPI (8)</b> Trading income (net income)	<b>615,924</b>	<b>909,517</b>
<b>OPI (9)</b> Number of UK loans	<b>228</b>	<b>239</b>

**Explanatory Note:**

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

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

NML has stated both key and other indicators.

No targets were set with the DCMS for 2012-2013.

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 3 July 2013

Deborah Shackleton CBE  
on behalf of the Trustees  
Date: 3 July 2013

**National Museums & Galleries on Merseyside**  
**Statement of Trustees' and Director's responsibilities**  
**For the year ended 31 March 2013**

Under paragraph 8(2) of the Schedule to the Merseyside Museums and Galleries Order 1986 the Board of Trustees of the National Museums & Galleries on Merseyside is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The account is prepared to show a true and fair view of the National Museums Liverpool's financial activities during the year and of its financial position at the end of the year.

In preparing the accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of 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; and
- prepare the account on the going concern basis, unless it is inappropriate to presume that NML will continue in operation.

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

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 3 July 2013

Deborah Shackleton CBE  
on behalf of the Trustees  
Date: 3 July 2013

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

**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2013**

**Governance Framework**

It is the responsibility of the Board of Trustees and the Director (Accounting Officer) to ensure that a sound system of Governance and Internal Control are in place to support the organisation. The Board is accountable for the overall direction of NML and for ensuring that it is solvent, well-run, and delivering the charitable outcomes, for the benefit of the public, as set out in The Merseyside Museums and Galleries Order 1986. The day to day running of NML is delegated to the Director who as Accounting Officer must ensure that public money and assets are safeguarded and properly accounted for in accordance with Managing Public Money and, in doing so, the Accounting Officer aims to secure continuous improvement in the way in which NML's functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

**The Board of Trustees**

During the year the Trustees have approved the Strategic Plan, the Annual Report and Accounts for the previous year, reviewed key organisational policies (including approval of a revised policy on anti-fraud and whistleblowing), the issues associated with the construction of the new Museum of Liverpool, and in particular have provided challenge and support to the Executive Team in planning and preparation for the impact of significant challenges where public funding is likely to reduce by a further significant amount over the next few years.

The Board met five times during the year and received reports covering the following: management overview summary of key activities and highlights in line with strategic objectives, minutes of activity and reports from Audit, Finance, Remuneration and Museum of Liverpool sub committees, items accessioned, loans agreed, performance metrics, health and safety and updates to policies. The Chairman of Trustees is consulted on major strategic issues, or where it is foreseeable that a decision or action could damage the reputation of NML.

During the year a number of new Trustees were appointed to the Board due to a combination of resignations and terms coming to an end. Vacancies are advertised nationally and members are appointed by the Prime Minister on the recommendation of the Minister for Culture, Communications and Creative Industries, in accordance with the code of practice issued by the Commissioner for Public Appointments.

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

**National Museums & Galleries on Merseyside  
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For the year ended 31 March 2013**

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

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

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

**The Museum of Liverpool Project Committee** met once during the year to consider a specific issue around the legal issues arising out of the performance of the design and construction teams. Other issues relating to the Museum of Liverpool are dealt with by the sub committees and the Board as part of the wider organisation given that the museum is fully operational now.

The Chairman of the Board is an ex-officio member of all Committees. The Committees consist of Board members, and in some cases Associate Trustees, to ensure that the appropriate skills are in place.

**Board and Committee Attendance**

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

<b>Name</b>	<b>Board (5)</b>	<b>Audit (5)</b>	<b>Finance (6)</b>	<b>MoL Project Monitoring (1)</b>	<b>Remuneration (1)</b>
<b><u>Trustees</u></b>					
P Redmond	80%		33%	100%	100%
J Ashton	0%				
C Booth	60%	100%	83%	100%	100%
L Carstensen	40%	100%			
R Crawford	80%		66%		
C Elphick	100%	100%	33%		
J Godwin	50%				
N Katona	40%	0%			
N Kurland	40%				
A McCluskey	50%				
T McGuirk	75%				
P Price	100%		100%		
N Scales	0%			0%	
D Shackleton	100%	100%		100%	100%
N Thorp	100%	80%			
<b><u>Associate Trustees</u></b>					
P Bounds		80%			
G Hitchmough			83%		
M McNamee				0%	
J Tarn				0%	

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For the year ended 31 March 2013**

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

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

**Control Environment**

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

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

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

The main area of concentration in the coming financial year will be to roll out the revised Risk Management process and to continue to progress the approved internal audit plan.

**Compliance with the Corporate Governance Code**

The Board has carried out a self-assessment regarding its compliance with the Corporate Governance Code and confirms that in so far as it is relevant for an NDPB, NML is continuing to move towards compliance with the intentions of the 'Corporate governance in central government departments: Code of good practice 2011'. The Board is well balanced in composition, and supports the Director in leading NML through strategic direction, monitoring activity, achievement of objectives and ensuring good governance is in place. This position has been strengthened further within the year due to targeted recruitment to bring in specific expertise to support the Finance and Audit Committees which has been extremely successful. The work of the Board is well supported by strong management at sub-committee level. Board of Trustee minutes are available on NML's website.

It was the Boards intention to carry out an annual review of the effectiveness of the Board during the current financial year. This was planned towards the end of the financial year due to the introduction of a number of new Trustees in the second half of the year. Due to unforeseen circumstances it was not possible to carry out this

**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2013**

review which will now be rescheduled for the coming year.

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

The key themes that emerged from the review were to clarify reporting requirements, in particular with regard to Risk Management and to draw more Finance and Audit experience into the Audit Committee. Improvements to both of these areas have been made during the year.

**Governance of Trading Subsidiary**

The governance and monitoring arrangements of NML's trading subsidiary, National Museums Liverpool Trading Limited (NMLT), are reflected by representation on the Board of NMLT and the consequent ability to provide strategic direction; receipt and scrutiny of regular financial and operational reports; receipt and scrutiny of the findings of internal and external audit through submitted reports; and review of the Risk Register of NMLT. During the year the board received an internal audit report regarding NML's governance of the Trading Subsidiary which confirmed that this is strong and as such was rated a low risk area.

**Review of the Effectiveness of Governance**

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

NML has suffered no protected personal data incidents during 2012-2013 and has made no reports to the Information Commissioner's Office.

**Internal Audit**

NML's internal audit function is outsourced to PricewaterhouseCoopers. The Audit Committee approved the internal audit plan in September 2012 for the period to March 2013. The Audit Committee has been informed of the overall progress of the Internal Audit programme of work. This, in turn, has enabled the appropriate level of prioritisation to be given to the completion of Internal Audit reports and the implementation of recommendations.

During the year internal audit reviews have been carried out in the following areas according to the internal audit plan: Cash Donations, Executive Decision Making, Visitor Engagement, Central Finance, Budgetary Control, Project Management, Collections Management and Pensions Administration. In addition a rolling programme of venue-based reviews is carried out which focuses on physical security processes and financial controls. To date these reviews have identified 17 findings – 1 high risk; 8 medium risk; 8 low risk. This compares very favourably to a total of 43 findings in the prior period, of which 18 were high risk, 17 medium risk and 8 low risk. These findings were reviewed in order to remove any duplication which resulted in a total of 23 recommendations to be followed up in year.

Follow up work from the previous year's findings showed that out of the total of 23 actions followed up 16 (74%) had been implemented, 3 (13%) were no longer applicable due to activity ceasing or changes to process and only 4 (13%) were not yet fully implemented. Plans are in place to complete this work.

**National Museums & Galleries on Merseyside  
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For the year ended 31 March 2013**

The Head of Internal Audit's opinion for the year states;

"Based on the work completed to date for 2012-13; we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and internal control."

This statement places NML into the second highest category regarding assurance for this year which is reflective of the focus that management have given to the internal audit programme and follow up of findings from previous years.

**Quality of Information presented to the Board**

A standard reporting set has been agreed with the Chair and the Secretary to the board ensures that agendas are set to include all requested items from previous meetings. The Secretary to the board also provides input regarding the quality of reports and the inclusion of relevant and requested information presented to the board.

The Chairs of Audit and Finance Committees meet with the Executive Director of Finance in advance of committee meetings to discuss the agenda items that will be covered and ensure that the coverage is appropriate. In addition standing agenda items are agreed for each Committee which cover longer term priorities to be reviewed. This is an iterative process to ensure that each committee receives information in its preferred format depending on the matter at hand, and to enable effective analysis of information and subsequent recommendations to be made to the Board.

**Risk Management**

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

Following last years' request from the Audit Committee for continued improvements to the Risk Management process a workshop was held on 16<sup>th</sup> January 2013 where the Audit Committee reviewed and updated the first draft of a revised Risk Management policy, agreed the strategic risks to the organisation and how they would be reported at future Audit Committee meetings. This policy will be finalised and rolled out across the organisation during the coming financial year.

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;

**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2013**

- ensuring that an appropriate level of review is in place to provide assurance that NML is operating an effective internal control environment; and
- ensuring that each risk is assigned to a member of the Executive Team who is responsible for the implementation and monitoring of actions identified to manage the risk.

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

- The finalisation of a major capital project - the new Museum of Liverpool;
- Major funding bodies reduce available revenue and capital funding;
- Failure to maintain and protect our collections;
- Failure to use our collections appropriately;
- Failure to attract 2 million+ visitors to our museums each year;
- Deterioration of the structure and fabric of the estate; and
- Absence of an Executive Team member for a significant period of time.

In order to ensure that focus is given to key issues and risks regarding forward planning additional meetings of the Finance Committee and the Board have been called to fully assess the various scenarios that NML could be facing and to ensure that appropriate contingency plans are being developed.

**Governance issues**

During 2011-12 financial year NML opened the new Museum of Liverpool, which is the biggest national museum to be newly-built and opened in the past 100 years. This museum has continued to thrive and is now the most visited museum in the UK based outside of London, attracting over 1 million visitors per year during its first two years of opening. As with any capital construction project of this size and nature there were a number of challenges throughout the project which have required continued management focus and a considerable amount of expert advice and support throughout the 2012-13 financial year.

In the previous financial year a routine audit of the European Regional Development Fund (ERDF) grant (by their internal audit team) towards the fit-out of the Museum of Liverpool identified an issue. A 10% penalty had been imposed which would take the form of a claw back (or reduction) in the overall grant that can be claimed with relation to the contracts affected. This was accrued for in 2011-12. NML appealed the decision which was partially successful seeing the penalty reduced to 5%.

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

**National Museums & Galleries on Merseyside  
Governance Statement  
For the year ended 31 March 2013**

Dr David Fleming OBE  
Director & Accounting Officer  
Date: 3 July 2013

Deborah Shackleton CBE  
on behalf of the Trustees  
Date: 3 July 2013

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

I certify that I have audited the financial statements of the National Museums and Galleries on Merseyside for the year ended 31 March 2013 under the Merseyside Museums and Galleries Order 1986. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

**Scope of the audit of the financial statements**

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

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

**Opinion on regularity**

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

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

**Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the National Museums and Galleries on Merseyside's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Merseyside Museums and Galleries Order 1986 and Secretary of State directions issued thereunder.

**Opinion on other matters**

In my opinion:

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

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

**Amyas C E Morse  
Comptroller and Auditor General**

**Date 5 July 2013**

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

**National Museums & Galleries on Merseyside  
Consolidated Statement of Financial Activities  
For the year ended 31 March 2013**

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2013 £000	2012 £000
<b>Incoming resources:</b>					
Grant-in-Aid - DCMS	2	22,061	-	22,061	21,875
Grant-in-Aid - UK Border Force	2	-	274	274	304
Incoming resources from generated funds:					
Voluntary income:					
Grants and donations	2a	230	1,690	1,920	5,745
Gifts	6a	-	733	733	308
Merchandising income of subsidiary company	9	3,648	-	3,648	2,972
Investment income	7b	34	32	66	52
Incoming resources from charitable activities	7a	<u>952</u>	<u>-</u>	<u>952</u>	<u>1,491</u>
<b>Total incoming resources</b>		<b><u>26,925</u></b>	<b><u>2,729</u></b>	<b><u>29,654</u></b>	<b><u>32,747</u></b>
<b>Resources expended:</b>					
Costs of generating funds:					
Fundraising costs in respect of voluntary income		378	-	378	383
Costs of subsidiary company merchandising	9	3,010	-	3,010	2,718
Charitable activities:					
Care of collections		5,369	869	6,238	7,483
Care of buildings		8,068	2,558	10,626	10,659
Visitor services		4,086	147	4,233	4,819
Exhibitions		1,317	53	1,370	1,874
Education and research		2,313	84	2,397	2,960
Other resources expended:					
Grants to third parties		150	-	150	140
Fees and charges activities of charity staff		407	-	407	418
Governance costs		<u>267</u>	<u>-</u>	<u>267</u>	<u>250</u>
<b>Total resources expended</b>	4	<b><u>25,365</u></b>	<b><u>3,711</u></b>	<b><u>29,076</u></b>	<b><u>31,704</u></b>
<b>Net incoming resources before transfers between funds</b>	3	<b>1,560</b>	<b>(982)</b>	<b>578</b>	<b>1,043</b>
Transfers between funds		<u>403</u>	<u>(403)</u>	<u>-</u>	<u>-</u>
<b>Net incoming resources after transfers between funds</b>		<b>1,963</b>	<b>(1,385)</b>	<b>578</b>	<b>1,043</b>
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All of NML's operations relate to continuing activities. There are no recognised gains and losses other than those shown above. The notes on pages 52 to 87 form part of these accounts.

**National Museums & Galleries on Merseyside  
Consolidated Balance Sheet  
As at 31 March 2013**

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	6	185,985	190,954
Heritage assets	6a	<u>11,514</u>	<u>10,774</u>
		<b>197,499</b>	<b>201,728</b>
<b>Current assets:</b>			
Stock		233	235
Investments	24	635	536
Debtors	10	2,427	3,857
Cash at bank and in hand		<u>8,551</u>	<u>4,974</u>
		<b>11,846</b>	<b>9,602</b>
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,119)</u>	<u>(2,890)</u>
<b>Net current assets</b>		<b><u>8,727</u></b>	<b><u>6,712</u></b>
<b>Total assets less current liabilities</b>		<b><u>206,226</u></b>	<b><u>208,440</u></b>
<b>Creditors: due after more than one year</b>	11	(482)	(558)
<b>Provisions</b>	12	-	<u>(1,204)</u>
<b>Total net assets</b>		<b><u>205,744</u></b>	<b><u>206,678</u></b>
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds	14	104,917	107,018
Unrestricted funds:			
Designated funds	14	96,247	97,907
General funds	14	<u>4,580</u>	<u>1,753</u>
<b>Total funds</b>		<b><u>205,744</u></b>	<b><u>206,678</u></b>

The notes on pages 52 to 87 form part of these accounts

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 3 July 2013

Deborah Shackleton CBE  
on behalf of the Trustees  
Date: 3 July 2013

**National Museums & Galleries on Merseyside  
Museum Balance Sheet  
As at 31 March 2013**

	Notes	2013 £000	2012 £000
<b>Fixed assets</b>			
Tangible assets	6	185,798	190,729
Heritage assets	6a	11,514	10,774
Investment in NML Trading Limited	9	<u>380</u>	<u>380</u>
		<b>197,692</b>	201,883
<b>Current assets:</b>			
Stock		16	17
Investments	24	635	536
Debtors	10	3,027	4,125
Cash at bank and in hand		<u>7,684</u>	<u>4,485</u>
		<b>11,362</b>	9,163
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,821)</u>	<u>(2,599)</u>
<b>Net current assets</b>		<b><u>8,541</u></b>	<b><u>6,564</u></b>
<b>Total assets less current liabilities</b>		<b><u>206,233</u></b>	<b><u>208,447</u></b>
<b>Creditors: amounts due after more than one year</b>	11	(482)	(558)
<b>Provisions</b>	12	<u>-</u>	<u>(1,204)</u>
<b>Total net assets</b>		<b><u>205,751</u></b>	<b><u>206,685</u></b>
<b>Represented by:</b>			
<b>Income funds</b>			
Restricted funds	14	104,917	107,018
Unrestricted funds:			
Designated funds	14	96,247	97,907
General funds		<u>4,587</u>	<u>1,760</u>
<b>Total funds</b>		<b><u>205,751</u></b>	<b><u>206,685</u></b>

The notes on pages 52 to 87 form part of these accounts

Dr David Fleming OBE  
Director and Accounting Officer  
Date: 3 July 2013

Deborah Shackleton CBE  
on behalf of the Trustees  
Date: 3 July 2013

**National Museums & Galleries on Merseyside**  
**Consolidated Cash Flow Statement**  
**For the year ended 31 March 2013**

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	<b>Notes</b>	<b>2013</b>	2012
		<b>£000</b>	£000
Net cash inflow from operating activities	<b>19</b>	<b>5,242</b>	9,026
Returns on investments and servicing of finance:			
Interest and dividends received		<b>66</b>	52
Decrease in investments		<b>(23)</b>	144
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets adjusted for capital accruals		<b><u>(1,708)</u></b>	<u>(9,906)</u>
Increase in cash in the year	<b>19</b>	<b><u>3,577</u></b>	<u>(684)</u>

The notes on pages 52 to 87 form part of these accounts

## **1. Accounting policies**

### **a) *Basis of accounting***

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

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

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

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

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

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

### **b) *Incoming resources***

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

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

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

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

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

Incoming resources of a similar nature are grouped together in line with SORP 2005 requirements.

Gifts are recognised in the account as ownership passes from the donor to NML and are valued either by NML staff or, where a relationship with a taxation agreement exists, by reference to a Capital Taxes Office valuation.

c) ***Expenditure***

Resources expended of a similar nature are also grouped together in line with SORP 2005.

The charitable activity groupings are; care of collections, care of buildings, visitor services, exhibitions, and education and research. Expenditure has been allocated on a direct basis where applicable and by apportionment for administration and other costs. The apportionment method is based upon a pro-rata relationship of indirect costs to total direct costs.

Liabilities are recognised on an accruals basis.

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

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

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

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

d) ***Heritage assets***

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

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

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

The threshold for capitalisation of gifts is £500.

e) **Fund accounting**

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

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

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

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

f) **Tangible fixed assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

j) **Taxation**  
NML is an exempt charity by virtue of schedule 3 to the Charities Act 2011 and its primary purpose activity is exempt from Corporation Tax under the Income Tax Act 2007. The profits of the trading company are passed annually to the charity in such a way that any tax liability is mitigated in line with HMRC guidance.

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

**k) Provisions**

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

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

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

**l) Investments**

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

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

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

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

**m) Long-term Creditors**

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2013**

**2. Grant-in-Aid** £22,061,000 of DCMS Grant-in-Aid has been received during the year (2012: £21,875,000). This money is available for running costs, capital improvements and collection purchases. During the year Grant-in-Aid was allocated to:

	<b>2013</b>	2012
	<b>£000</b>	£000
General fund	<b>20,646</b>	20,526
Government grant capital allocation	<b><u>1,415</u></b>	<u>1,349</u>
	<b><u>22,061</u></b>	<u>21,875</u>

NML also receives Grant-in-Aid from the UK Border Force (UKBF). The amount received in 2012-2013 was £274,000 (2011-12 £304,000). No Capital GiA was received from UKBF in 2012-2013 (2011-12 £nil). A summary can be seen at note 16.

**2a. Grants & donations** £1,919,000 (£5,745,000 2011-2012) was received during the year; of which only £230,000 (£195,000 2011-2012) was unrestricted. The restricted income included the following contributions towards NML's capital programme:-

	<b>2013</b>	2012
	<b>£000</b>	£000
Heritage Lottery Fund	<b>751</b>	3,465
European Regional Development Fund	<b>216</b>	1,251
Other revenue and capital grants and donations	<b><u>723</u></b>	<u>834</u>
	<b><u>1,690</u></b>	<u>5,550</u>

**3. Net incoming resources**

	<b>2013</b>	2012
	<b>£000</b>	£000
Net incoming resources before transfers is stated after charging for:		
Travel and subsistence (including Trustees)	<b>134</b>	211
Hospitality	<b>35</b>	35
Operating lease payments (Ener-G CHP scheme)	<b>489</b>	471
Operating lease payments (Other)	<b>72</b>	62
Consolidated audit fee	<b>48</b>	48
Trading company audit fee	<b>8</b>	7
Depreciation	<b>5,285</b>	5,956

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2013**

<b>4. Total resources expended</b>	<b>Staff Costs £000</b>	<b>Other Costs £000</b>	<b>Depre- ciation £000</b>	<b>2013 Total £000</b>	<b>2012 Total £000</b>
Costs of generating funds:					
Fundraising costs	325	53	-	378	383
Cost of subsidiary company merchandising	1,441	1,522	47	3,010	2,718
Charitable activities:					
Care of collections	4,582	664	992	6,238	7,483
Care of buildings	787	5,662	4,177	10,626	10,659
Visitor services	3,627	570	36	4,233	4,819
Exhibitions	832	525	13	1,370	1,874
Education and research	1,987	390	20	2,397	2,960
Grants to third parties	-	150	-	150	140
Fees & charges activities of charity staff	224	183	-	407	418
Governance costs	97	170	-	267	250
Total resources expended	<u>13,902</u>	<u>9,889</u>	<u>5,285</u>	<u>29,076</u>	<u>31,704</u>
<b>Governance costs</b> includes:					
External audit fees	-	56	-	56	55
Corporate governance	54	-	-	54	54
Internal audit	-	75	-	75	61
Legal advice	-	35	-	35	42
Finance	43	4	-	47	38
	<u>97</u>	<u>170</u>	<u>-</u>	<u>267</u>	<u>250</u>

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

<b>Support costs;</b>	<b>Care of Collections</b>	<b>Care of Buildings</b>	<b>Visitor services</b>	<b>Exhibitions</b>	<b>Education &amp; research</b>	<b>Total</b>
Management	113	50	90	23	51	327
Finance (inc Audit)	197	62	159	38	88	544
ICT	240	264	193	61	111	869
						71
						<u>36</u>
						<u>17</u>

The support costs are contained within the respective charitable activities headings above.  
The Museum depreciation is split between Unrestricted £2.288m and Restricted £2.949m.  
The unrestricted element counts against NML's non-cash RDEL allocation.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2013**

**5. Staff costs**

During the year staff costs directly associated with the delivery of NML's major capital project were capitalised; a new Museum of Liverpool. The amount for the year was £40,097. The following Staff cost note has been expanded to disclose the capitalisation of this amount.

	NML	NML	Total	Total
	£000	Trading Ltd	2013	2012
	£000	£000	£000	£000
Wages and salaries	10,198	1,361	11,559	12,484
Social security costs	672	73	745	822
Pension costs	1,591	7	1,598	1,734
<b>Staff Costs within operating expenditure</b>	<b>12,461</b>	<b>1,441</b>	<b>13,902</b>	<b>15,040</b>
Capitalised staff costs	40	-	40	513
Agency staff costs	11	-	11	28
<b>Total staff costs</b>	<b>12,512</b>	<b>1,441</b>	<b>13,953</b>	<b>15,581</b>

The capitalised staff costs related to capital projects include; Basic Pay £31,572  
Employers NIC £2,526 and Employers Superannuation costs £5,999.

All NML employments are covered by the Principal Civil Service Pension Scheme. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but NML is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (**Hewitt Bacon Woodrow**) valued the scheme as at 31 March 2007. You can find details in the resource accounts of the **Cabinet Office: Civil Superannuation** ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2012-13, employers' contributions of £1,597,291 were payable to the PCSPS (2011-12: £1,775,774) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands (the rates in 2011-12 were between 16.7% and 24.3%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. In 2012-13 the salary bands were revised and the rates remained as above. From 2013-14, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £24,210 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,734.51, 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

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

The subsidiary trading company previously operated a defined contribution scheme. The current pension arrangement means that the pensionable employees of the subsidiary company are in direct contract with the pension provider. NMLT makes a contribution of 5% of basic salary to the pension plans of those staff who are members of the Group Plan and the liability of the subsidiary is limited to this contribution. The employers' contribution amounted to £7,437 (2011-2012; £7,946).

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March 2013**

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There were three members of staff in the salary band £55,001 - £65,000; one member in the salary band £65,001 - £70,000; two in the salary band £70,001 - £75,000 and one member in the salary band £105,001 - £110,000. This is no change from the previous year.

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

<b>Employee Configuration as at 31 March 2013</b>		<b>Employee Configuration as at 31 March 2012</b>	
Director's Office	6	Director's Office	5
Museum Secretary's Office	1	Museum Secretary's Office	1
Development and Communications	50	Development and Communications	53
Collections Management	86	Collections Management	99
Education, Communities & Visitors	222	Education, Communities & Visitors	235
Museum of Liverpool	44	Museum of Liverpool	56
Human Resources	13	Human Resources	15
Finance, ICT & Procurement	34	Finance, ICT & Procurement	35
NML Trading Ltd	65	NML Trading Ltd	63
	<u>521</u>		<u>562</u>

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

<b>Employee Configuration as at 31 March 2013</b>		<b>Employee Configuration as at 31 March 2012</b>	
Senior Management Team	18	Senior Management Team	22
Staff on permanent contract	446	Staff on permanent contract	420
Staff on fixed term contracts	57	Staff on fixed term contracts	120
Total	<u>521</u>	Total	<u>562</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 2.

**Trustees**

The Trustees neither received nor waived any emoluments during the year. Payments to reimburse Trustees' travel and subsistence costs associated with the attendance of meetings amounted to £1,191 (2011-2012: £1,529). Four Trustees were reimbursed in 2012-2013 (five in 2011-2012).

**National Museums & Galleries on Merseyside**  
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<b>6. Tangible fixed assets</b>	<b>Land</b>	<b>Buildings</b>	<b>Furniture &amp; Fittings</b>	<b>Permn't Galleries</b>	<b>Motor Vehicles</b>	<b>Assets in Course of Construction</b>	<b>Sub-total</b>	<b>Heritage Assets (note 6a)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost/valuation</b>									
Valuation base at 01-Apr-12	11,685	158,790	22,341	23,698	96	174	216,784	10,774	227,558
Additions in year	-	608	140	1,156	-	-	1,904	740	2,644
Disposals	-	-	(24)	-	-	-	(24)	-	(24)
Transfers from AICC	-	-	-	174	-	(174)	-	-	-
Revaluation	-	(1,588)	-	-	-	-	(1,588)	-	(1,588)
<b>Closing valuation</b>	<b><u>11,685</u></b>	<b><u>157,810</u></b>	<b><u>22,457</u></b>	<b><u>25,028</u></b>	<b><u>96</u></b>	<b><u>0</u></b>	<b><u>217,076</u></b>	<b><u>11,514</u></b>	<b><u>228,590</u></b>
<b>Depreciation</b>									
Balance as at 01-Apr-12	-	-	21,740	3,996	94	-	25,830	-	25,830
Base charge for year	-	3,156	233	1,895	1	-	5,285	-	5,285
Disposals	-	-	(24)	-	-	-	(24)	-	(24)
Revaluation	-	-	-	-	-	-	0	-	0
Balance as at 31-Mar-13	-	<u>3,156</u>	<u>21,949</u>	<u>5,891</u>	<u>95</u>	-	<u>31,091</u>	-	<u>31,091</u>
Net book value:									
<b>At 31 March 2013</b>	<b><u>11,685</u></b>	<b><u>154,654</u></b>	<b><u>508</u></b>	<b><u>19,137</u></b>	<b><u>1</u></b>	<b><u>0</u></b>	<b><u>185,985</u></b>	<b><u>11,514</u></b>	<b><u>197,499</u></b>
At 31 March 2012	<u>11,685</u>	<u>158,790</u>	<u>601</u>	<u>19,702</u>	<u>2</u>	<u>174</u>	<u>190,954</u>	<u>10,774</u>	<u>201,728</u>

This note reflects the consolidated position of NML and its subsidiary trading company NMLT. All of the tangible fixed assets of the trading company are shown within furniture and fittings. The net book value as at 31 March 2013 was made up of:

	<b>2013</b>	2012
	<b>£000</b>	£000
NML tangible fixed assets	<b>185,798</b>	190,729
NML heritage assets	<b>11,514</b>	10,774
NMLT tangible fixed assets	<b><u>187</u></b>	<u>225</u>
	<b><u>197,499</u></b>	<u>201,728</u>

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

**National Museums & Galleries on Merseyside**  
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**Net Book Value of Land and Buildings.**

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

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

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

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

Property	Basis	Land Value	NBV Bldgs	Land Value	NBV Bldgs
		31-Mar-12	31-Mar-12	31-Mar-13	31-Mar-13
		£	£	£	£
<b>Freehold Properties</b>					
Lady Lever Art Gallery	DRC	300,000	6,150,000	300,000	6,140,515
County Sessions House	DRC	410,000	1,500,000	410,000	1,473,065
The Walker	DRC	1,621,000	15,963,000	1,621,000	15,592,123
World Museum	DRC	2,500,000	48,900,000	2,500,000	47,510,021
Sudley House	DRC	250,000	1,500,000	250,000	1,455,300
Juniper Street	EUV	630,000	2,970,000	630,000	2,881,882
Dale Street	EUV	1,250,000	1,383,500	1,250,000	1,342,272
Maritime Park (Yellow Zone):-					
Great Western Railway (GWR) Building	EUV	120,000	230,000	120,000	}
GWR Amenity Land (T7A)	DRC	-	-	-	
Dockmaster's House	EUV	30,000	110,000	30,000	
Canning Docks	DRC	1,300,000	1,900,000	1,300,000	
Canning Docks / Pilotage Amenity Land	EUV / MV	-	-	-	
Museum of Lpool Life retained / Pilotage building	EUV	320,000	585,000	320,000	
Maritime Park (Red Zone):-					
Museum of Liverpool	DRC	1,650,000	46,680,000	1,650,000	45,288,936
Prospective canal basin (T1A)	EUV / MV	-	-	-	-
Land abutting canal basin (T2)	EUV / MV	-	-	-	-
Western Steps (T7B)	EUV / MV	-	-	-	-
		<b>10,381,000</b>	<b>127,871,500</b>	<b>10,381,000</b>	<b>124,424,929</b>
<b>Long Leasehold Properties</b>					
Oratory	DRC	60,000	80,000	60,000	77,616
Maritime 'D' Block	DRC	450,000	17,600,000	450,000	17,204,907
Maritime Piermaster's House	DRC	70,000	230,000	70,000	}
Piermaster's and Cooperage	DRC	75,000	225,000	75,000	
The Walker	DRC	29,000	137,000	29,000	132,917
Conservation Centre	DRC	410,000	11,600,000	410,000	11,254,320
Dale Street (11 North St)	EUV	-	56,500	-	54,816
Dock Traffic Office	EUV	210,000	990,000	210,000	1,024,997
		<b>1,304,000</b>	<b>30,918,500</b>	<b>1,304,000</b>	<b>30,229,165</b>
<b>Totals</b>		<b>11,685,000</b>	<b>158,790,000</b>	<b>11,685,000</b>	<b>154,654,094</b>

**National Museums & Galleries on Merseyside**  
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DRC – Depreciated Replacement Cost  
EUV – Existing Use Value  
OMV – Open Market Value  
MV – Market Value

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

	<b>£000</b>
Land	11,685
Freehold buildings	124,425
Long leasehold buildings	<u>30,229</u>
	<b><u>166,339</u></b>

**Disposals in year**

There was £24,216 (historic cost) of furniture and fittings disposals for the subsidiary trading company.

**6a. Heritage Assets**

NML's collections are among the most diverse of the national collections, encompassing the fine and decorative art, ethnology, antiquities, physical sciences, urban history, maritime history, international slavery, regional archaeology, maritime archives, botany, geology and zoology and UK Border Force collections. The overall collection total is in the region of 4 million items.

The collections are held at NML sites in and around Liverpool (Museum of Liverpool, Walker Art Gallery; Merseyside Maritime Museum; World Museum; Lady Lever Art Gallery; International Slavery Museum; the UK Border Force National Museum; Sudley House; the Oratory; North Street Warehouse, Midland Railway Building and our main collection store) as well as at other museums and galleries and sites in the UK with long-term loans from the collections.

**Valuation**

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

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

All acquisitions are valued since 2001 and this information is recorded on NML's collections management software.

Only those donations with an attributed value of £500 or more were capitalised.

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Valuations of donated items were carried out by NML's curatorial staff, based on their knowledge of the area in which they are collecting and if similar items have been sold recently at auction.

Natural science specimens are difficult to value, as they do not have an intrinsic financial value. NML has placed a figure of £5 per specimen.

**On-Balance-Sheet Heritage Assets**

	<b>Acquisitions at historic cost</b>	<b>Donated assets at valuation</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 01.04.2012	2,863	7,911	10,774
Additions	7	733	740
At 31.3.2013	2,870	8,644	11,514

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

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Additions	653	621	448	305	740
Purchases	603	158	126	47	7
Donations	50	463	322	258	733

### **Collections Management**

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

### **Acquisitions Policy**

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

### **Preservation**

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

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

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

### **Documentation**

Information about the collections is kept according to *Spectrum, the UK Documentation Standard*. NML is Accredited under the Accreditation Scheme, administered by Arts Council England and maintains the following records, in line with the requirements of the scheme.

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**Disposal**

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

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

**Access**

Access to the collections is provided through; permanent galleries and interactive centres, special temporary exhibitions, touring exhibitions, education and outreach programmes, loans, publications, NML's website and facilities for research.

The additions to the collections are made by purchase and by gift. In 2012-13 the major additions were:

**Gifts:**

"Liverpool Skyladders" installation donated by Yoko Ono	200,000
"Head of the Stairs" sculpture donated by Prof. I Abrahams and E Abrahams	120,000
"Two Spheres in Orbit" sculpture by B Hepworth – in lieu of inheritance tax	169,943
"Naming the Money" installation donated by Lubaina Himid	135,010
Range Rover Evogue car donated by Jaguar Land Rover	45,000
Collection of study skins of British birds of prey donated by Tony Bell	16,200

**Purchases:**

"Stevie Smith and the Willow" by Sarah Pickstone	7,200
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The total value of gifts received during the year was £733,438 of which the main ones are shown above.

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**Collection Acquisitions**

All additions to the collections since 1 April 2001 have been capitalised and shown on the Balance Sheet, at cost or at valuation where the obtainment of such a valuation is cost effective and the valuation reliable. Capitalised costs / values are not depreciated or re-valued as a matter of routine. Additions to the collection by way of gift are recognised as below.

**Gifts**

Gifts are recognised in the account as ownership passes from the donor to NML and are valued either by NML staff or, where a relationship with a taxation agreement exists, by reference to a Capital Taxes Office valuation.

The threshold for capitalisation of gifts is £500.

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**7. Incoming resources:**

<b>7a. Incoming resources from charitable activities</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Car parking	<b>59</b>	58
Exhibitions	<b>186</b>	346
Proceeds of settlement	-	700
Fees & charges activities	<b>309</b>	359
Photography	<b>43</b>	28
Projects income	<b><u>355</u></b>	-
	<b><u>952</u></b>	<u>1,491</u>

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

**7b. Investment income**      The investment income derives from returns on fixed interest placement with National Westminster Bank plc, and from the Tomlinson investments managed by Rathbone Investment Management Ltd.

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Interest receivable	<b>43</b>	26
Tomlinson dividend receivable	<b><u>23</u></b>	<u>26</u>
	<b><u>66</u></b>	<u>52</u>

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**8. Financial instruments**

The Museum does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, short-term investments, receivables and payables (Notes 10, 11, 12, 19 and 24). Trade receivables are recognised at fair value less a provision for impairment (bad debt). The provision is made when the Museum is of the view that the debt may not be collectable in full, or in part, in accordance with the terms.

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

**Liquidity Risks**

In 2012-13, £22.1m (74%) of NML's income derived from Grant-in-Aid from the Department for Culture, Media and Sport. In addition revenue Grant-in-Aid of £274k was received from UK Border Force. The remaining operating expenditure was therefore financed from self-generated income which tends to be volatile in nature. NML is therefore exposed to some liquidity risk due to uncertainty of the total reserves. However, this risk is mitigated by the regular review of NML's reserves.

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

**Financial assets by category**

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

The above excludes statutory debtors, which relates to VAT due from HM Revenue and Customs; £347,002

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

	Less Than 30 days	30-60 days	60-90 days	More than 90
	£000	£000	£000	£000
As at March 2013	82	467	9	61

The Museum's principal exposure to risk is primarily attributable to trade debtors. However this risk is minimised because most major customers are longstanding organisations with a history of working with the Museum. A bad debt provision of £60,000 (£45,000 2011-2012) has been recognised on the balance sheet. The majority of other debtors represents capital grants receivable and is therefore considered to be low risk.

**Financial liabilities by category**

	Note	2013
		£000
Trade creditors	11	1,222
Other creditors	11	1,254
Provisions	12	0
Repayable grants	11	59

The above excludes statutory creditors, which relates to tax and social security due to HM Revenue and Customs; £301,323. All liabilities are non-interest bearing.

**Interest Rate Risks**

As mentioned above, NML receives less than 1% of its income through returns on invested cash balances. It is therefore not exposed to any material risk in relation to fluctuating interest rates. The weighted average of fixed rate interest for invested deposits for 2012-2013 was no more than 0.6%.

**Foreign Exchange Risks**

NML does not engage in market dealings in respect of foreign currencies and the Trustees are therefore not exposed to any foreign exchange risks. However NML does have a Euro bank account with a small deposit balance. There was a minor cumulative "gain" at year end of £8,033.48.

**Investment Risk**

NML has £0.635m invested in fixed interest and equity stocks. The investment manager (Rathbone Investment Management) works to a low risk profile instruction. The amount invested represents approximately 2.1% of total incoming resources.

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

**Repayable Grants**

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

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**9. Trading subsidiary**

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

The Directors of the company during the year were:

- Dr David Fleming OBE;
- Mr Tony McGuirk (appointed 24 October 2012);
- Ms L M Carstensen (retired 18 September 2012);
- Prof. Phil Redmond CBE;
- Mrs Carmel Booth;
- Mr Philip Price (appointed 13 September 2012);
- Prof. John Ashton CBE;
- Mrs Nisha Katona (appointed 24 October 2012);
- Mr Andrew McCluskey (appointed 24 October 2012);
- Mrs A Monk; and
- Ms Amy de Joia

The Directors who are not employees of NML serve on a voluntary, unpaid basis.

The registered office of the company is situated at 127 Dale Street, Liverpool.

The trading performance for the year ended 31 March 2013 and the Company's Balance Sheet are set out below;

<b>Profit and Loss</b>	<b>2013</b>	2012
	<b>£000</b>	£000
Sales	<b>3,728</b>	3,113
Cost of sales	<b>(1,271)</b>	(1,190)
<b>Gross profit</b>	<b>2,457</b>	1,923
Administrative expenses	<b>(1,977)</b>	(1,784)
<b>Operating profit</b>	<b>480</b>	139
	<b>3</b>	2
	<b>(483)</b>	(141)
	-	-
	-	-
	-	-

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

<b>Balance Sheet</b>	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Fixed assets	<b>187</b>	225
Current assets	<b>1,206</b>	836
Current liabilities	<b>(1,020)</b>	<b>(688)</b>
Net current assets	<b>186</b>	148
Net assets	<b>373</b>	<b>373</b>
Called up share capital	<b>380</b>	380
Profit and loss reserve	<b>(7)</b>	<b>(7)</b>
	<b>373</b>	<b>373</b>

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

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

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>NMLT sales</b>		
Non group sales as shown in the Statement of Financial Activities	<b>3,648</b>	2,972
Intergroup sales	<b>83</b>	141
<b>Equals total NMLT Income</b>	<b>3,731</b>	<b>3,113</b>

**NMLT costs**

Non group costs as shown in the Statement of Financial Activities

Intergroup costs	<b>238</b>	256
	<b>3,248</b>	<b>2,974</b>

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Amount owed by NML to NMLT</b>	<b>29</b>	14
<b>Am</b>	<b>693</b>	<b>383</b>

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

10. Debtors	2013	2013	2012	2012
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts due from subsidiary	693	-	383	-
Trade debtors	540	619	149	245
Other debtors	1,416	1,430	3,273	3,292
Prepayments	31	31	21	21
Taxation (VAT) recoverable	347	347	299	299
	<u>3,027</u>	<u>2,427</u>	<u>4,125</u>	<u>3,857</u>

The Debtors balance above includes £667,587 by HLF (£1,790,404 2011-2012), £268,266 by the European Regional Development Fund (£563,609 2011-2012), and £347,002 owed by HM Revenue & Customs (£298,613 2011-2012). The total for the year is £1,282,855 (£2,652,626 2011-2012).

There were no further Whole of Government Accounts (WGA) related balances outstanding as at 31 March 2013.

11. Creditors	2013	2013	2012	2012
	Museum	Group	Museum	Group
	£000	£000	£000	£000
Amounts falling due within one year:				
Amounts due to subsidiary	29	-	14	-
Trade creditors	1,157	1,222	923	998
Other creditors and accruals	1,094	1,254	1,300	1,422
Deferred income	341	341	129	129
Taxation and social security	200	302	233	341
	<u>2,821</u>	<u>3,119</u>	<u>2,599</u>	<u>2,890</u>
Amounts falling due after one year:				
Accrual for CHP and Annual compensation	482	482	558	558

HMRC were owed £301,323 (£340,225 2011-2012).

There were no further WGA related balances outstanding.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

12. Provisions	2013	2013	2012	2012
	Museum £000	Group £000	Museum £000	Group £000
Balance brought forward	1,204	1,204	30	30
Provision in year	-	-	1,198	1,198
Payments in year	(1,127)	(1,127)	(24)	(24)
Releases in year	(77)	(77)	-	-
<b>Balance carried forward</b>	<b>0</b>	<b>0</b>	<b>1,204</b>	<b>1,204</b>

The provision in 2011-12 represented the voluntary severance constructive obligation that existed at 31 March 2012. Since then the majority of payments have been made and a small number transferred to accruals at 31 March 2013.

There were nil staff members who took early retirement in 2012-2013, (nil 2011-2012).

**13. Financial commitments** At 31 March 2013 NML had annual commitments under non-cancellable leases as follows:

	2013	2013	2012	2012
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year:	-	-	-	2
In the second to fifth year	54	10	54	8
More than five years	-	503	-	488
	<u>54</u>	<u>513</u>	<u>54</u>	<u>498</u>

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

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

**Commitments**

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

	Within 1 year (£000)	2 <sup>nd</sup> to 5 <sup>th</sup> year (£000)	6 <sup>th</sup> to 10 <sup>th</sup> year (£000)	11 <sup>th</sup> to 15 <sup>th</sup> year (£000)
Payment commitments	501	2,131	2,977	2,661

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

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

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

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

14. Statement of funds	At 1 Apr-12	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-13
	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>						
<b>Designated funds</b>						
Collection purchase fund (Free)	-	-	-	-	-	-
Collection purchase fund	809	-	-	-	-	809
UKBF admissions (Free)	93	-	-	-	10	103
Academic publications (Free)	96	49	(62)	-	12	95
Miscellaneous (Free)	70	-	-	-	-	70
TFA - Capital reserve *	54,879	-	(902)	(456)	-	53,521
TFA - Government grant ITF**	447	-	(9)	(4)	-	434
TFA - Government grant	31,916	1,415	(937)	(253)	-	32,141
TFA - General capital	6,623	-	(376)	(50)	-	6,197
TFA - NMGM ITF	<u>2,974</u>	-	<u>(64)</u>	<u>(33)</u>	-	<u>2,877</u>
<b>Total designated funds</b>	97,907	1,464	(2,350)	(796)	22	96,247
<b>General funds (Free)</b>	<u>1,753</u>	<u>25,461</u>	<u>(23,015)</u>	-	<u>381</u>	<u>4,580</u>
<b>Total unrestricted funds</b>	<u>99,660</u>	<u>26,925</u>	<u>(25,365)</u>	<u>(796)</u>	<u>403</u>	<u>100,827</u>

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

Note 14 reconciles to the Consolidated Statement of Financial Activities on page 48.

The significant transfer between funds during the year was £388,534 from the Lottery Capital Fund to the General Fund to cover capital spend on the new Museum of Liverpool in 2011-12, temporarily funded from reserves.

**Unrestricted designated funds:**

Comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

**Revenue: Unrestricted designated**

Within this group are:

**Collection purchase fund**

for additions to the collections.

**UKBF Admissions fund**

for the running costs and special projects associated with the UK Border Force National Museum.

**Academic publications fund**

for the production of professional material.

**Miscellaneous**

for minor contributions to revenue and capital projects

The source of these funds is earned income.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

**Tangible fixed asset funds (TFA): Unrestricted**

Within this group are:

**TFA - Capital reserve**

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

**TFA - Government grant**

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

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

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

**TFA - General capital**

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

**TFA - NMGM ITF**

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

**Unrestricted general funds:**

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

	At 1 Apr-12	Income	Expend- iture	Revalua- tions	Transfers	At 31 Mar-13
	£000	£000	£000	£000	£000	£000
<b>Restricted funds</b>						
Collection purchase fund	10,045	794	-	-	(2)	<b>10,837</b>
Development fund revenue	2,013	945	(757)	-	(39)	<b>2,162</b>
Tomlinson fund	150	23	(5)	-	-	<b>168</b>
TFA - Development fund	19,391	-	(568)	(180)	27	<b>18,670</b>
TFA - Tomlinson	1,220	-	(104)	75	-	<b>1,191</b>
TFA - NMGM ITF - Lottery	20,060	-	(570)	(209)	-	<b>19,281</b>
TFA - Lottery	11,079	-	(700)	(1)	(389)	<b>9,989</b>
TFA - ERDF ITF	3,227	751	(64)	(32)	-	<b>3,882</b>
TFA - ERDF	7,501	216	(305)	(47)	-	<b>7,365</b>
TFA - Development fund ITF	1,536	-	(29)	(15)	-	<b>1,492</b>
TFA - NWDA	<u>30,796</u>	<u>-</u>	<u>(609)</u>	<u>(307)</u>	<u>-</u>	<u><b>29,880</b></u>
<b>Total restricted funds</b>	<u>107,018</u>	<u>2,729</u>	<u>(3,711)</u>	<u>(716)</u>	<u>(403)</u>	<u><b>104,917</b></u>

**Restricted funds:**

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

The significant transfer between funds during the year was £388,534 from the Lottery Capital Fund to the General Fund to cover capital spend on the new Museum of Liverpool in 2011-12, temporarily funded from reserves.

**Revenue: restricted**

Within this group are:

**Collection purchase fund**

for additions to the collections. The source of this fund is charitable donations and investment income derived from unconsolidated separate trust funds.

**Development fund**

for the financing of running costs of projects, curatorial activities and the museums and galleries exhibitions programme. The source of the funds is grants and charitable donations.

**Tomlinson fund**

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

**Tangible fixed asset funds: Restricted**

Within this group are:

**TFA - NMGM ITF lottery**

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

**TFA - NMGM ITF ERDF**

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

**TFA - ERDF**

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

**TFA - Development fund / Development fund ITF**

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

**TFA - NWDA**

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

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**TFA - Lottery**

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

**TFA - Tomlinson fund**

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

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

<b>15. Analysis of group net assets between funds</b>	Fund balances at 31 March 2013 are represented by:	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total £000</b>
	Tangible fixed assets	<b>95,679</b>	<b>101,820</b>	<b>197,499</b>
	Net assets (excl fixed assets and cash)	<b>(943)</b>	<b>637</b>	<b>(306)</b>
	Cash	<b><u>6,091</u></b>	<b><u>2,460</u></b>	<b><u>8,551</u></b>
		<b><u>100,827</u></b>	<b><u>104,917</u></b>	<b><u>205,744</u></b>
	Unrealised gains included above:			
	On tangible fixed assets and investments	<b><u>(796)</u></b>	<b><u>(716)</u></b>	<b><u>(1,512)</u></b>

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

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**16. UK Border Force National Museum**

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

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

NML receives from the UKBF annual Grant-in-Aid payments which allows the National Collection to be displayed and interpreted alongside NML's other national collections. Payments by UKBF in respect of Grant-in-Aid are made from the UKBF for 2012-13 which is audited and published separately.

Transactions in respect of the museum are shown within the Restricted Income and Expenditure Funds (note 14).

With effect from 1 April 2010 the UKBA took on responsibility for the financial responsibilities and ownership of the existing collections within the museum. Subsequently this has passed on again to the UKBF with effect from September 2012.

The formal name of the museum is "UK Border Force National Museum" and the visitor name "Seized! Revenue and Customs Uncovered". In the future this will be known as "Seized! The Border and Customs Uncovered".

**Capital grants**

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

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

	£000
<b>Application of funds</b>	
Total funds received as at April 2012	1,469
Funds received in year	-
Virement from Revenue Grant	-
<b>Total funds received as at 31 March 2013</b>	<b><u>1,469</u></b>
Funds applied as at 1 April 2012	(1,469)
Funds applied in year	-
<b>Funds applied as at 31 March 2013</b>	<b><u>(1,469)</u></b>
<b>Unapplied capital funding at 31 March 2013</b>	<b><u>==</u></b>

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

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**Running Cost Grant-in-Aid** **£000**

The funding position for 2012-13 is as follows:

**Application of funds**

Unapplied funds as at 1 April 2012	<b>56</b>
2012-13 Grant-in-Aid	<b>274</b>
	<hr/>
Total Available Grant-in-Aid funds	<b><u>330</u></b>
Funds applied to the running of the Museum	<b><u>283</u></b>
<b>Unapplied funds as at 31 March 2013</b>	<b><u>47</u></b>

**17. Gower St Estates Ltd.**

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

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

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

There are no employees of the company, the practical management of the estate being delegated to CB Richard Ellis (commercial real estate advisors).

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 £99,879.

**18. Capital Commitments**

NML has two major capital projects. The Museum of Liverpool opened in Summer 2011. Expenditure of £77.5m has been approved for the project. Approximately £76.7m of this budget has been spent and funded to the balance sheet date. This project is now essentially complete and the remaining budget will not be spent.

ISM phase 2 represents NML's other main capital commitment. To date £0.576m has been spent against an approved budget of £0.750m.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

**19. Cash flow information**

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

	<b>2013</b>	2012
	<b>£000</b>	£000
Net incoming resources	<b>578</b>	1,043
Depreciation	<b>5,261</b>	5,940
Interest received	<b>(66)</b>	(52)
Gifts	<b>(733)</b>	(308)
(Increase) / decrease in stocks	<b>2</b>	(66)
(Increase) / decrease in debtors	<b>1,430</b>	1,934
(Decrease) in creditors	<b>(26)</b>	(639)
(Decrease) / Increase in provisions	<b>(1,204)</b>	1,174
Net cash inflow from operating activities	<b><u>5,242</u></b>	<u>9,026</u>

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

Increase in cash in the period		
Movement in net funds in the period	<b>3,577</b>	<b>(684)</b>
Net funds at 1 April	<b><u>4,974</u></b>	<b><u>5,658</u></b>
Net funds at 31 March	<b><u>8,551</u></b>	<b><u>4,974</u></b>

**Analysis of net funds**

	01-Apr 2012 £000	<b>Cash Flow £000</b>	<b>31-Mar 2013 £000</b>
Cash	<u>4,974</u>	<b><u>3,577</u></b>	<b><u>8,551</u></b>

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

**20. Related Party Transactions**

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

Additionally NML has conducted material transactions with other Government Departments and other central bodies; specifically the Department of Energy and Climate Change (DECC), Department of Health, Heritage Lottery Fund, the UK Border Agency and the UK Border Force.

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

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

**(a) Board members:**

Related Party	Relationship	Transactions	Income for the year £000	Expenditure for the year £000	Creditor at 31 March £000	Debtor at 31 March £000
LJMU	Prof. Phil Redmond, CBE is a trustee and chair of the International Centre for Digital Content	Contract car parking / NML staff overtime for Nuffield Celebration evening	1			
LJMU	Prof. John Ashton Chair in Public Health	Contract car parking / NML staff overtime for Nuffield Celebration evening	1			
Environment Agency	Dr Clive Elphick – Board member EA	Subsistence fee  Archaeological work re Lunt Meadows	45	1		2
BBC	Joe Godwin – Director of BBC's Children's services	Filming / Reproduction fee	1			
Merseytravel	Neil Scales OBE Director	Season tickets		30		
Scala Publishers	Norman Kurland – Director	Reimbursement of duplicate payment		1		
LJMU	Deborah Shackleton Governor and Chair of Audit	Contract car parking / NML staff overtime for Nuffield Celebration evening	1			

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

**(b) Staff:**

Related Party	Relationship	Transactions	Income for the year	Expenditure for the year	Creditor at 31 March	Debtor at 31 March
			£000	£000	£000	£000
European Museum Forum	David Fleming Treasurer	Employment costs for administrator to Sep 11 to Mar 12 Employment costs for administrator to April to June 12 Employment costs for administrator to Oct to Dec 12 EMF stationery, postage, courier, hospitality Two brochures for EMF	9 2 2 7 1			1
International Council of Museums	David Fleming Chair – Finance and Resources Committee	Membership Fee		1		
Leicester University	David Fleming Employer Advisory Group	Fee for Research Services Digital images	2 1			
Liverpool City Council	David Fleming Culture & Tourism Select Committee	Slavery Remembrance Day	8			
Liverpool City Region Local Enterprise Partnership	David Fleming Member of Visitor Economy Committee	Yearly Membership Visitor Profiling Visit Liverpool Banner Ad/ Coach campaign Maritime Titanic Evaluation JM Exhibition		1 24 1 1 2		
Museums Association	David Fleming Board Member / Public Attitudes Research Advisory Group	Subscriptions / Membership fees		5		
Hope St Hotel	Amy de Joia Wife of owner	Accommodation / breakfast		4		
Prof. Phil Redmond CBE and Mrs Alexis Redmond MBE	Prof. Phil Redmond, CBE – Chair of NMGM Board of Trustees	Charitable donations to fund; Staff Christmas Party Royal Lunch FIHRM conference Legal Fees associated with Ince Blundell marbles	2 16 16 2			

## **21. Contingent Liabilities**

As part of the finalisation of a major capital project, NML has a contingent liability in respect of legal proceedings associated with the design and build phases of the new Museum of Liverpool. The value of the liability is unknown.

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

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

## **23. Connected Charities**

Nine charitable trusts are connected to NML via a commonality of trusteeship and a close association of charitable purpose. The earliest of the trusts was created in 1873 and each one came into existence before NML was formed in 1986. The trusts have a distinct legal identity.

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

The Financial Statements of the satellite trusts do not form part of these accounts.

A separate fund; the Tomlinson Fund is managed by Rathbone Investment Management. This legacy forms part of the Museum restricted account and, the results and net assets of the fund are summarised on the next page.

NML will monitor the status of the American Friends of the National Museums Liverpool (AFNML) and the affect it may have on the Museum's accounts in future years. Currently the AFNML account is not consolidated on the grounds that it is not controlled by NML, in addition the transactions are not material.

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

<b>Tomlinson Fund</b>				
<b>Statement of Financial Activities</b>	<b>Income</b>	<b>Capital</b>	<b>Total 2013</b>	<b>Total 2012</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Incoming Resources:</b>				
Investment income	23	-	23	26
<b>Resources expended:</b>				
Governance costs	-	-	-	-
Charitable Activities	-	(5)	(5)	(3)
Depreciation	-	(104)	(104)	(103)
<b>Net incoming / (Outgoing) resources</b>	<b>23</b>	<b>(109)</b>	<b>(86)</b>	<b>(80)</b>
Gains and losses on sale proceeds	-	-	0	4
Gains and losses on revaluation	-	75	75	27
<b>Net Movement in Funds</b>	<b>23</b>	<b>(34)</b>	<b>(11)</b>	<b>(49)</b>
Fund Balances at 1 April	159	1,215	1,374	1,423
<b>Fund Balances at 31 March</b>	<b>182</b>	<b>1,181</b>	<b>1,363</b>	<b>1,374</b>

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

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

**National Museums & Galleries on Merseyside**  
**Notes forming part of the financial statements for the year ended 31 March**  
**2013**

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**24.**  
**Investments**

**Year ended 31 March 2013**

<b>Summary</b>	<b>£000s</b>
Carrying value (market value) at beginning of year	536
Add:	
Additions to investments at cost	23
Less:	
Disposals at carrying value	
Add:	
Net Gain on sales and revaluation	<u>76</u>
Carrying value (market value) at end of year	<u>635</u>

The above are all listed on the UK stock exchange.

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

**25. Special payments and losses**

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

The total value of special payments in the year amounted to £436,151 (five transactions).

A loss of £333,622 was incurred in legal expenses associated with an unsuccessful arbitration in relation to a dispute regarding the construction of the Museum of Liverpool.



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