

The Museums, Libraries and Archives Council Annual Report and Financial Statements For the year ended 31 March 2009

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Correction to Page 30

First Paragraph:

Currently states "I have audited the financial statements of the Museums..."

Should state "I have audited the group and parent company's financial statements of the Museums..."

Correction to Page 31

Under the Opinion heading, the first bullet:

Currently states "...of the Museums, Libraries and Archives Council as at 31 March 2009, and of its incoming resources..."

Should state "...of the Museums, Libraries and Archives Council group and parent company as at 31 March 2009, and of the group and parent company's incoming resources..."

May 2010

LONDON: THE STATIONERY OFFICE

**The Museums, Libraries and
Archives Council**
(a company limited by guarantee)
Annual Report and Financial Statements
For the year ended 31 March 2009

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Archives Council**
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14 Bennetts Hill
Birmingham
B2 5RS

The Museums, Libraries and Archives Council (MLA) is the lead strategic agency for museums, libraries and archives. The MLA promotes best practice in museums, libraries and archives, to inspire innovative, integrated and sustainable services for all.

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INTRODUCTION

We are pleased to introduce the Museum Libraries and Archives Council's Annual Report and Financial Statements for 2008-2009.

This is the first year that the Comptroller and Auditor General has acted as the external auditor for the MLA and we are grateful for the rigour and professionalism that the National Audit Office staff have brought to this task. The NAO's challenging and insightful work has helped us review the progress that we have made and chart a way ahead that will help us pursue our policy of continuous improvement.

The year ending March 2009 was one of unprecedented change for the MLA as it successfully completed its restructuring and achieved a revolution in its focus. These changes were largely driven by Government's policy of moving publicly funded posts out of London and progressive reductions in MLA's core funding reaching £3.5 million per annum by 2010/11 (20%).

The transformation has included moving the head office from Holborn, London to Birmingham, creating a small office in South Kensington, implementing new IT and accounting systems and recruiting new members of staff to over 70% of the posts in the new organisation structure. In addition, eight of the nine regional MLA agencies, independent charities but almost wholly funded by the MLA, ceased operating with their key activities being undertaken by the new MLA field team. The ninth regional agency, responsible for London, will follow the same route in March 2010. These changes have enabled the MLA to increase its effectiveness whilst reducing overall headcount by almost 50% and reducing operating costs by almost £5 million.

The new MLA field team works nationally and regionally and for management purposes is divided into three geographical areas each with its own Director of Engagement. Experienced staff, based in each region, ensure that the MLA works effectively at a local level, building relationships with local stakeholders and advancing the MLA's objectives. In July 2008 a new chair, Andrew Motion, was appointed for a period of four years.

These changes have heralded a new era with a leaner, fitter MLA team in place working as one to deliver services across England and shaped to engage effectively with central government and local government in the nine regions. There is also an emphasis on working on ideas and objectives that can be cross-fertilised across all three sectors.

Achieving this transformation has required energy, dedication and commitment from all those involved. We would like to thank all those members of staff who have made this change possible, both those in the MLA and in the former Regional Agencies. We are particularly grateful to staff who moved on as a result of the restructure but nonetheless contributed with enormous professionalism and dignity at such a challenging time.

Leading strategically, the Museums Libraries and Archives Council promotes best practice in museums, libraries and archives, to inspire innovative, integrated and sustainable services for all. Duplication with other agencies has been avoided and with the MLA's increased efficiency and cost effectiveness there is also funding available to promote improvement and innovation in the sector.

With its structure transformed and its focus clearly defined, the MLA is now much more effectively placed to take forward its challenging agenda. But before we move on it is important to record our past achievements; the work of the MLA for 2008/09 is therefore summarised in this report under our three strategic themes, continuous improvement, learning and skills and sustainable communities.



Roy Clare
MLA Chief Executive



Andrew Motion
MLA Chair

REVIEW OF THE YEAR

Continuous Improvement

We take it as an article of faith that every museum, library and archive needs to be excellent. We challenge traditional thinking to improve the delivery of services and raise standards and offer tools to help those who want to improve, aimed at practitioners and also funders and sponsors. Our aim is to inspire innovation, challenge poor performance, encourage services to be responsive to local needs, increase value for money and improve the quality of experience of customers

Renaissance and museums

The MLA leads Renaissance, the programme designed to transform regional museums by changing how they work, improving care for collections and interactions with their audiences. In autumn 2008 the Renaissance team transferred to Birmingham with significant changes in staff and structures. Business plans for the nine regional Renaissance hubs were agreed, introducing a new set of strategic priorities to take forward new work and develop existing best practice. New monitoring systems were introduced which enable much better measurement of programme outputs and outcomes and assessment of value for money.

For the first time Renaissance provided a grant to support “Kids in Museums” an innovative and important campaign to encourage museums to do more to attract family visits. In May 2009 the MLA received the report of the independent review of Renaissance. This included a comprehensive survey of the programme’s past performance and made a series of recommendations for the future delivery of the programme. This was the first major review of the programme since its launch. The review was published in full in July 2009 alongside an initial response from the MLA. Since that time the MLA has been consulting over which recommendations to accept and planning for the delivery of Renaissance from April 2011 onwards

Other significant activities included the Department of Culture, Media and Sport (DCMS) commissioning MLA to carry out consultation and research into the perceived need for a museum of British history. Secondly, a major review of the Portable Antiquities Scheme, which encourages members of the public to report archaeological finds, was carried out. Its findings were endorsed by ministers and the scheme’s regional elements will now be funded by Renaissance with an allocation of £1.3 million per annum.

Accreditation and Designation

MLA’s Accreditation Scheme sets nationally agreed standards for UK museums, thereby helping them to identify areas for further improvement. In 2008/09 there was fresh emphasis on best practice, excellence, improvement and innovation. There were 454 applications for accreditation and 400 museums won accreditation, of these 15 joined the scheme for the first time.

MLA’s Designation Scheme identifies the pre-eminent collections of national and international importance held in England’s non-national museums, libraries and archives. These inspiring collections represent a vital part of our national cultural and artistic heritage and help raise standards across the sector. This year marked the 100th Designation award and three exceptional collections gained Designated status:

- Compton Verney – for its collection of Chinese Bronzes
- The University of Birmingham’s Lapworth Museum of Geology
- The Institution of Civil Engineers Library - for its outstanding library

Libraries Action Plan

The five-year Action Plan for Libraries, ‘Towards 2013’, was published in May 2008 with the aim of making every library a great library. A selection of activities and achievements from 2008/09 are listed below:

- MLA has published Research Briefings on a range of subjects: Increasing attendance and participation; Effective use of volunteers; Active people; Attracting non-library users.

These briefings have proved incredibly popular and were the four most downloaded resources in March 2009 from the MLA Research Database.

- Twelve best practice case studies were published on the MLA website covering subjects such as health, regeneration, marketing and volunteering.
- MLA provided consultancy support to Swindon and Wirral local authorities on the issue of library closures and restructuring. In Wirral's case this led to the Secretary of State for the DCMS ordering an official enquiry, the first since 1991.
- A seminar for all SCL members using National Indicator 9 (NI9) in Local Area Agreements (LAAs) was staged in October 2008 to exchange experience and set an agenda for future MLA support.
- Research on Library Loans Online, assessing the likely public appetite for a national system of delivering library books to a user's chosen address, was completed in March 2009.
- Guidance on the Management of Controversial Material in Public Libraries was published to provide support for public libraries in making difficult choices when managing books, information and internet content that may be deemed to be controversial.

Reference Online

Reference Online is a subscription-based electronic service for English public libraries brokered by the MLA. A second four-year agreement with a greatly expanded range of high quality online reference resources was launched in April 2008. In 2008/09 libraries have spent more than £2.5m on 1,000 subscriptions saving £2m compared with previous arrangements. In the past year, remote access use has exceeded use within libraries by nearly 30% and a total of over 970,000 user sessions was recorded.

Archives

The Archives Strategic Planning and Fundraising programme developed and funded by MLA enables teams from local archive services to:

- Explore their approach to strategy and planning.
- Develop and apply solutions to critical strategic problems they are facing with reference to advocacy, income generation and fund raising.
- Learn from the ways in which other services have addressed similar issues.

Between December 2008 and May 2009 a total of 20 local authority archives and records services took part in this £80,000 programme. The vast majority of respondents reported that they had made progress and their service was now aligned more closely with other services and could address corporate priorities more effectively.

Local Government Improvement

MLA spent £30,000 in 2008/09 to support improvement in local authorities with NI 9 and NI10 as designated cultural indicators within LAAs. As well as organising seminars, MLA provided bespoke consultancy and data analysis to 10 local authorities to help them increase participation by their residents in museums and libraries. A further £78,000 was invested in a partnership with Arts Council England (ACE), English Heritage, Sport England and the Department of Culture, Media and Sport to develop local government improvement support. The Improvement and Development Agency (IDeA) was then commissioned to deliver products to support culture and sport sector improvement. The Culture and Sport Improvement Toolkit was delivered by the IDeA in 2008/09 and it formed the basis of the consultancy support provided to NI9 and NI 10 LAAs. This underpins the Light Touch Peer Review tool now being used by MLA. A Light Touch Peer Review enables a local authority's cultural services team to look at their organisation's practices in a challenging, but supportive way – a pilot review was conducted in Plymouth in January 2009 ahead of a launch in autumn 2009.

MLA has articulated a clear role as the agency responsible for promoting best practice and continuous improvement.

Promoting best practice

MLA has a clear role as the agency responsible for promoting best practice in the sector and developed a database of best practice in museums, libraries and archives. Best practice case studies not only inspire and challenge museums, libraries and archives to be creative and aspirational in what they

achieve and how they serve individuals and communities, they also provide robust evidence of how the sector contributes to local priorities. Twelve case studies of innovative projects in libraries were published in the autumn of 2008, coinciding with the launch of MLA's new website, followed by the publication of museum and archive examples in spring 2009.

Sustainability

MLA has published a policy that sets out how it aims to become more sustainable as an organisation, through reduced consumption, behavioural change and sustainable procurement. In addition it will embed sustainability as a key policy strand within all its programmes through the provision of policy updates, partnership brokering, research and evidence and advocacy and support. There are three key themes in developing sustainable working practices across the sector:

- Carbon baselining, to build sector capacity for managing carbon reduction.
- Encouraging volunteering, to help contribute towards recession recovery, workforce development and diversity, and community engagement and empowerment.
- Income generation and efficiencies, to enable the sector to assess and improve its capacity to be financially self sustaining. It will contribute to the governance agenda and will target a reduction in the proportion of local authority funding relative to earned income.

Digital

Building on MLA's Statement of Digital Principles & Values, arrangements for commissioning digital services were tightened up, through development of clear objectives, deliverables and performance management. Work is now underway to communicate MLA's digital priorities to the wider sector.

Learning and skills

The sector plays a key role in supporting learning at all levels – helping adults improve their skills and encouraging children and young people to be creative and enterprising. This is an area of MLA activity that is increasingly important. We want to see museums, libraries and archives improve access to learning materials, increase employment opportunities and learning activities for all.

MLA is also committed to continuous professional development and transforming sector work practices to support improvement and innovation. We collaborate locally, nationally and internationally to advance professional standards within the sector and its workforce.

Strategic Commissioning

With a total budget of £2.22m from DCMS for 2008/09 the programme had two strands:

- Learning programmes from museums and archives for children and young people.
- Workforce development programme which supports sector staff and teaching staff to use cultural resources to aid children's learning and the delivery of the curriculum.

Of the 13 targets that were set 11 were met and many exceeded. Amongst the targets exceeded were the numbers of children participating in museum and archive learning programmes onsite (17,915) and offsite (62,304) with 427 schools participating, including 251 for the first time.

Adult Learning

MLA was one of the key partners who worked with the Department for Business, Innovation and Skills on the development of the Learning Revolution White Paper. This paper, published in March 2009, aspires to develop a new lifelong learning movement suitable for the 21st century. Among the MLA initiatives endorsed in the White Paper were:

- Adult Learners Board proposed to bring key national partners together to provide strategic leadership and to ensure the museum, library and archive sector fully contributing to the new movement.
- Learning Revolution pledge, a commitment to get 3,000 museums, libraries and archives signed up to the Learning Revolution pledge.
- Challenge Fund, the announcement of a £100,000 small grant Challenge Fund to support museums, libraries and archives to work with self-organised groups of learners to access spaces and resources in new ways.

The year also saw a joint publication with LGA to ensure that Local Authorities recognise that museums, libraries and archives play a key role in the local learning infrastructure of their locality to support learning through life.

Boys into Books

MLA brokered £5 million funding from the Department for Children, Schools and Families (DCSF) for public libraries to deliver the “Boys into Books” programme in partnership with primary schools from September 2008 to March 2009. The programme was developed to encourage more boys aged 5-11 years to enjoy reading. It involved 150 library authorities, over 13,000 schools and more than 330,000 boys participated. MLA evaluation of the programme identified positive outcomes for the boys taking part, including increased confidence, improved communication skills and increased library visits outside school hours. Furthermore, 88% of participating public libraries said they intended to maintain the partnership established with primary schools. MLA is encouraging local authority Children’s Services to build on the partnerships established by “Boys into Books” in order to develop reading strategies at school, in the community and at home.

National Year of Reading 2008

DCSF commissioned the National Year of Reading and the MLA part-funded the Reading Agency to run the library strand of the campaign. Research showed that 2.3m new library members joined between April – December 2008, a period that coincided with the first ever national promotion of library membership in England with all 149 local authorities playing a part.

Find Your Talent

Designed to give young people the opportunity to experience at least five hours of high quality arts and culture every week, the scheme is co-funded by MLA and Arts Council England. In 2008/09 there were at least 24 projects in the ten pathfinder areas which were led or had significant involvement from museums, libraries and archives.

Their Past Your Future 2

The programme funds the sector to use their collections and resources to find innovative and creative ways of increasing community learning, intergenerational work and developing young people’s knowledge and understanding of conflict. Many projects marked the 90th anniversary of the end of WWI in 2008 with projects exploring the effect that war has on local communities. The second phase of this three year programme, supported by the Big Lottery Fund and ending in 2010 awarded £423,000 to 53 museums, libraries and archives in England.

Open to all

The National Social Inclusion Programme and the MLA, in partnership with the Wallace Collection, Tate Modern, and the V&A, commissioned the development of a training package designed to help museums and galleries be more socially inclusive for people with mental health problems.

Leadership

MLA’s workforce position statement has prioritised leadership, widening entry routes, workforce diversity and e.skills for investment and activity. As a result:

- MLA agreed to invest £500k to support museums to employ a target of 50 Creative Apprentices over two years, to help to provide entry routes for people from non-traditional backgrounds. Programme objectives and deliverables were established, and marketing to museums commenced.
- Support has been given to the development of the CILIP Encompass programme, the positive action scheme for libraries.
- “Take the Lead”, a cross-sector leadership programme was supported through allocation of bursaries, and was attended by 136 emerging and middle managers. Long-term impact assessment is now being undertaken.
- A Strategic Planning & Fund-Raising Programme was delivered to 20 Archives Services which, for the most part, attended as whole teams. Feedback from the programme was used to inform the development of the National Archives Strategy.

Sustainable communities

Museums, libraries and archives are central to healthy, vibrant and sustainable communities and together with other forms of culture, the arts, sport and local services, they are highly relevant to local authorities in their place shaping role. MLA wants to see the sector take on greater responsibility for social cohesion by attracting new and wider audiences to museums, libraries and archives. Examples of activities that advance this agenda are detailed below:

2012

September 2008 saw the launch of the Cultural Olympiad for the 2012 Olympic and Paralympic Games and phase one of the MLA's Setting the Pace programme. They aim to increase participation by new audiences and transform the way people experience the inspiration, learning and creativity generated by museums, libraries and archives.

- **Stories of the World:** Under the chairmanship of Dame Liz Forgan a project board was established, and 14 projects, to be delivered by over 50 museums and libraries across the UK, were selected to reinterpret collections.
- **People's Record:** A national community archive initiative with 29 projects funded across England to gather responses to the Games past, present and future. More than 10,000 people were involved and 4,500 responses collected. These featured in a publication capturing the public mood at the start of the Olympic journey.
- **Festival of Storytelling:** There were 54 storytelling events during the launch of the Cultural Olympiad, supported by funding from MLA, the British Museum and Renaissance London, attracting nearly 3,000 participants.
- **The Record:** DCMS endorsed the proposal from MLA and TNA to lead a programme to ensure a comprehensive record of the Games and Cultural Olympiad is created across all bodies involved in delivery of the Games and Cultural Olympiad.
- **Young Cultural Creators:** There were 21 poetry writing workshops funded, for museums, libraries and archives to work with children in Pupil Referral Units. Evaluation proved the projects' positive impacts on the participating children – including their improvements in their confidence, level of engagement and learning and literacy skills.
- **Regional Legacy Trust:** Funding was secured from the South East Legacy Trust to develop Stoke Mandeville and other related archives, to tell the Paralympics story.

Living Places

MLA is the lead agency for Living Places, a partnership of cultural and sporting bodies helping to create thriving, vibrant communities through culture and sport. There were three strands to its work in 2008/09:

- In conjunction with ACE, MLA assumed responsibility for project managing the Culture and Sport Planning Toolkit. The Treasury "Invest to Save" budget allocation was spent on target and the Toolkit successfully developed and launched.
- MLA led a partnership of regional Non-Departmental Public Bodies that worked with the Priority Places to define how Living Places would support those places in using culture and sport to build sustainable communities.
- Appropriate planning and delivery of sector infrastructure was also developed, setting out standard charge approaches for libraries and archives, and, in conjunction with ACE, for museums and arts.

Community Libraries Programme

The Big Lottery Fund's £80m Community Libraries Programme, designed to rebuild, refresh or refurbish library spaces celebrated its second year. MLA developed the idea and a total of 58 library authorities, with assistance from the MLA, were successful in obtaining funding after submitting plans that described how they would work with local communities to improve library facilities. Newbold Verdon was the first public library in the programme completed in April 2009.

Acquisitions, Export & Loans Unit (AELU)

The AELU provide five strands of activity to facilitate greater public access to the UK's most important cultural objects. The main achievements in 2008/09 were:

- The Acceptance in Lieu (AIL) scheme which accepts important cultural objects in settlement of Inheritance Tax completed 36 cases with a total value of £19.8m, up £4.6m on 2007/08.
- The Export Licensing Unit issued 12,356 licenses, up by 376 on last year. There is a commitment to issue licenses in five days for recently imported objects and this was achieved in 97% of cases.
- The Government Indemnity Scheme, which provides insurance cover at no cost for loans to UK museums and galleries, provided indemnity for 2,337 applications and saved UK museums an estimated £26m of commercial insurance premiums.
- The PRISM (Preservation of Industrial and Scientific Material) Fund distributed £250,000 of grants and the MLA/V&A Purchase Grant Fund awarded £1m of grants to 98 non-national museums, galleries and archival offices in England and Wales.
- The AELU continued to provide the secretariat for the Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest.

National Security Adviser (NSA)

The National Security Adviser relocated from London to the Birmingham Office in June 2008. As part of the requirements under the Heritage Act 1983 loan applications were notified by national institutions. Of these 182 venues were visited and security risk assessments carried out - 53 by contracted consultants, the remainder by the NSA. More than 100 further assessment visits were carried out in support of the Government Indemnity Scheme in 2008.

Other priorities

Research and evidence

Working closely with researchers in government and other agencies, our research team is building up and sharing evidence of the impact made by culture, the arts and sport through a variety of methods including evaluation, research and analysis. Examples are:

- The full value of the Research Website, with its database of case studies, research and evaluation documents, began to be realised this year and there were significant increases in downloads and views of the research pages - downloads of research publications increased by 6.5 times and views of case studies by 4.3 times.
- Renaissance Hub Museums exit surveys and evaluation of community engagement activities: MLA continues to conduct research to help museums to understand their visitors and the visitor experience and assess the delivery of programmes and their contribution to the lives of visitors and participants.
- Community Libraries evaluation: The evaluation of community engagement activities so far illustrates an array of different approaches in tackling local issues ranging from youth crime and unemployment, to dealing with migrant populations.
- Living Places Year 1 evaluation: The evaluation focused on partnership working and recommended that partner input is required at national, regional and local levels.
- Active People Diagnostic (APD): In partnership with ACE and Sport England the MLA launched APD. This online reporting and analysis tool provides free, quick and easy access to Active People Survey results thereby enabling local authorities to investigate public participation and non-participation in culture and sport in their local areas.

Equality and Diversity

MLA is developing a wide ranging Equality and Diversity strategy to encourage greater levels of equality and diversity in boards and leadership, workforce and audiences. As part of this strategy a Single Equality Scheme and Equality Impact Assessment process is being developed to ensure equality and diversity in all MLA activities. This will be finalised and published in 2009/10.

REPORT OF THE BOARD OF TRUSTEES

Legal status

The Museums, Libraries and Archives Council (MLA) is the lead strategic agency for museums, libraries and archives in England. It is a Non-Departmental Body (NDPB), sponsored by the Department for Culture, Media and Sport (DCMS). This Annual Report and Financial Statements have been prepared at the direction of DCMS and will be presented to Parliament pursuant to the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009.

The MLA was incorporated November 1999 on the instruction of the Secretary of State for Culture Media and Sport. It commenced operating in April 2000 under the name "Resource: The Council for Museums, Archives and Libraries" and took responsibility for functions previously undertaken by the Museums and Galleries Commission and the Libraries Information Commission. At the same time its remit was extended to cover Archives in order that DCMS had a single strategic body covering all three sectors, tapping into the potential for collaboration between them. It changed its name to "The Museums, Libraries and Archives Council" in February 2004.

The MLA is a company limited by guarantee (number 03888251) and also a registered charity (1079666). MLA's registered office is at Grosvenor House, 14 Bennetts Hill, Birmingham, B2 5RS. MLA's governing instrument is its Memorandum and Articles of Association. A joint Management Statement and Financial Memorandum set out the framework for the accountability relationship with the DCMS. A Funding Agreement between DCMS and MLA sets out agreed priorities and targets over a several year period. Activities during 2008/09 fell within the scope of the Funding Agreement for the three years from 2008/09 to 2010/11.

Since 1 April 2008 the MLA has exercised control (by dominant influence) over the eight regional agencies listed below. Prior to this date they operated as independent "arms length" organisations with the MLA providing the majority of their funding. During the period to 31 March 2009 these subsidiaries enabled the MLA to deliver its programmes and initiatives and achieve its objectives in England's regions. In addition they wound down their operations in order that they could be replaced by the MLA's new field team as part of the reorganisation. Each of these organisations is a company limited by guarantee and also a registered charity.

| | Company | Charity |
|--|----------|---------|
| Museums, Libraries and Archives Council, East of England | 04148021 | 1085036 |
| Museums, Libraries and Archives East Midlands | 04401317 | 1092956 |
| Museums, Libraries and Archives North East | 04159174 | 1085565 |
| Museums, Libraries and Archives North West | 01554226 | 511412 |
| Museums, Libraries and Archives South East | 04131121 | 1086030 |
| Museums, Libraries and Archives South West | 01626497 | 284996 |
| MLA West Midlands : The Regional Council for Museums, Libraries and Archives | 01688880 | 513708 |
| Museums, Libraries and Archives Yorkshire | 01593054 | 512249 |

At 31 March 2009 all of these organisations had ceased operating activities. They had adopted new articles of association defining the MLA Council as their sole member and their Directors had been replaced by nominees from the MLA's Board of Trustees. These companies will remain until all their residual liabilities have been settled. They will then commence members' voluntary winding up procedures. Further information concerning the consolidation of these companies into the MLA's financial statements is provided in note 1.

Vision and Purpose

Following its restructuring the MLA has redefined its Vision and Purpose and identified four priority areas for its work in 2009/10 and beyond. They can be summarised as follows:

Vision

Leading strategically, the MLA promotes best practice in museums, libraries and archives, to inspire innovative, integrated and sustainable services for all.

Purpose

To enable museums, libraries and archives to provide more and more people in England with high quality experiences that enrich their lives.

Priority 1

To assist those responsible for funding and leading museums, libraries and archives to oversee constant improvement and increased responsiveness to local needs.

Priority 2

To enable museums, libraries and archives to increase their contribution to learning and skills development in order that individuals have improved life and employment opportunities.

Priority 3

To enable museums, libraries and archives to make an increasing contribution to their local economies and communities.

Priority 4

To be a highly effective organisation providing clear leadership and strong advocacy for the sector, respected and valued by all that we work with.

However, during 2008/09 the MLA continued to work in support of the objectives established in 2007, which are consistent with the charitable objects set in the Memorandum and Articles of Association, as set out below:

Objectives for 2008/09

- Increase and sustain participation - users come first in everything the MLA develops and delivers; the sector engages with people who use its services and those who do not; the sector involves communities and gives the public greater access.
- Put museums, libraries and archives at the heart of national, regional and local life - the MLA speaks up for the sector's contribution to a successful, creative and cohesive society; the MLA champions the sector; the MLA has an important role in shaping and supporting government initiatives and others' agendas in all arenas, from local to international.
- Establish a world class and sustainable sector and put it on the best footing for the future - the MLA promotes innovation and modernisation to build the sector for the future; the MLA has access to funding to increase the sector's capacity to provide quality services that users want.
- Lead sector strategy and policy development - the MLA works with government and others to develop plans and priorities; the MLA provides authoritative evidence that informs policy and demonstrates impact.

Charity Commission Guidance and Statement of Public Benefit

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to guidance published by the Charity Commission including the Commission's general guidance on public benefit when reviewing the charity's aims and objectives as demonstrated in the objectives for 2008/9 above.

Our funding and how we spend it

Most of our funding comes from DCMS in the form of Grant in Aid or grants to support specific programmes. We also receive specific grants from other government departments and agencies. We manage Lottery Fund supported programmes and administer awards from other charitable bodies. The money is spent supporting activities by other bodies and institutions through grant awards, on research, advocacy and programme management.

During 2008/09 expenditure on these activities totalled £61.2 million for the consolidation and £59.1 million for the company, split between the principal objectives for the year as follows:

| | Consolidation £ million | Company £ million |
|---|------------------------------------|------------------------------|
| Increasing and sustaining participation | 31.7 | 31.1 |
| Putting museums, libraries and archives at the heart of national, regional & local life | 6.3 | 5.8 |
| Establishing a world class and sustainable sector | 18.1 | 17.6 |
| Leading sector strategy and policy development. | 5.1 | 4.6 |

Further information is available in the Financial Statements on pages 32 to 59.

Changes to grant funding procedures and Prior Year adjustment

In prior years MLA has drawn down all the annual Grant in Aid it was awarded in its funding agreement. This allowed MLA to demonstrate it could meet its contractual obligations in accordance with Charity and Company law. DCMS has confirmed that to comply with Government Accounting rules, MLA should not draw down funds in advance of need for the financial year 2009/10 and subsequent years. Accordingly, grant funding already drawn down in advance in 2008/09 cannot be recognised as income in the year. This has resulted in a total prior year adjustment in MLA's financial statements of £3,121k and an adjustment to total income already drawn down in 2008/09 of £11,899k.

Grant making policy

It is not MLA's general policy to award grants to individuals, except in the context of specific schemes managed on behalf of other funding bodies. Grants are awarded to non-profit making bodies to further MLA's charitable objectives. The Purchase Grant Funds are open to applications from eligible institutions, as are a number of externally funded grant programmes. Other grant awards are for activities specifically commissioned by MLA under approved programmes.

Where grant schemes are administered on behalf of other funding bodies, broad criteria for the awards are agreed with those bodies and applied by MLA. Where major grant schemes are operated at MLA's full discretion, criteria are determined by the MLA. Grant awards are subject to conditions as to accountability and the demonstration of a commitment to inclusive employment and procurement practices.

Further details of grants and awards made by MLA can be found on the MLA Website www.mla.gov.uk.

Spending the taxpayer's money effectively

There was no indexation of Baseline Grant in Aid between 2000/2001 and 2007/08. Any modest increases during that period were to fund new responsibilities. The cost effective management of this funding and the national programmes Renaissance in the Regions (the regeneration of England's regional museums) and Framework for the Future (a strategy for public libraries in the 21st Century) were achieved by constantly seeking efficiency gains and focussing on the achievement of value for money.

In 2008/09 the MLA suffered a £0.9 million (5.5%) reduction in its Baseline Grant. Further reductions of £1 million (6.3%) and £1.5 million (10%) will take place in 2009/10 and 2010/11 respectively.

How we are held to account

We account to DCMS against Funding Agreements which set out how we will help the Department deliver on its Public Service Agreement targets. We comply with Companies House and Charity Commission filing and reporting requirements. For 2008/09 an extension of the filing deadline to 31 March 2010 has been agreed with Companies House.

Board minutes and papers are published with other management documents and regular updates on our activities and plans on our website www.mla.gov.uk. As a public authority we are bound by and actively comply with the provisions of the Freedom of Information Act.

Sector and professional bodies

The MLA continues its successful and close collaboration with sector and professional bodies such as the Chartered Institute of Library and Information Professionals, the Society of Chief Librarians, the Museums Association, the National Museums Directors Conference, the National Council on Archives and the Society of Archivists.

Relationships between MLA and related parties

The MLA is one of a number of councils and institutions active in the cultural and related sectors which are sponsored by DCMS. MLA makes grants to and receives services from several of these bodies. All transactions are conducted on an arm's length basis and on terms no more favourable than those offered to or by other unrelated parties. Full details are set out in note 25 to the financial statements.

Security of Personal Data

The MLA only holds personal data relating to its employees and a small number of self employed sub-contractors. Procedures are in place to ensure that high levels of security and limited access are in place. The MLA has suffered no protected personal data incidents during 2008/09 or prior years, and has made no reports to the Information Commissioners' office.

Management of Information Risk

The MLA has an approach to managing information risk based upon industry standard security processes and best practice. All mobile computing devices are encrypted format and central data files are held simultaneously at two secure locations. Access to both its premises is controlled by appropriate security systems in order that unauthorised persons do not have access to data or equipment.

Trustees and officers

MLA's Trustees are the statutory directors of the company and trustees of the charity. The following Trustees served during the year:

| | | | |
|----------------|------------|-------|----------------------------|
| Geoffrey | Bond | | |
| Nick | Dodd | | |
| Yinnon | Ezra | | |
| Dr Helen | Forde | | |
| Glen(ville) | Lawes | | |
| Sir Andrew | Motion | Chair | Appointed 3 July 2008 |
| Robert | Wand | | |
| Sarah | Carthew | | Resigned 13 February 2009 |
| Alex | Cunningham | | Resigned 31 March 2009 |
| John | Hicks | | Resigned 31 July 2009 |
| Sir Geoffrey | Holland | | Resigned 31 March 2009 |
| Sara | Selwood | | Resigned 10 June 2008 |
| Professor John | Tarrant | | Resigned 31 December 2008 |
| Mark | Wood | Chair | Contract ended 3 July 2008 |

The following Trustees were appointed after the year end

| | | |
|--------------------|---------|---------------------------|
| Professor Patricia | Cullen | Appointed 1 July 2009 |
| Karen | Tyerman | Appointed 1 July 2009 |
| Angela | Dean | Appointed 1 February 2010 |

The majority of Trustees and the Chairman are appointed by the Secretary of State for Culture, Media and Sport. Following an amendment to the MLA's Articles of Association on 24 January 2008 the Mayor of London has the right to appoint the Chair of MLA London who automatically becomes a Trustee of the MLA. The Mayor of London has not yet exercised this right.

The composition of the Board of Trustees has changed considerably following the wind down of eight of the regional agencies. Whilst the Articles of Association provide that there can be a maximum of fifteen Trustees the Board has decided that it is beneficial to operate with a smaller Board with no more than twelve Trustees.

The Board of Trustees met six times during the year. Individual Trustees also made a number of visits to museums, galleries, libraries and archives in the UK and beyond. New Trustees are given induction training when they join the MLA.

The Board of Trustees determines MLA's strategy and considers and approves proposals for new policies or variations in existing policies. Annual budgets, Business Plans and the Corporate Plan are subject to Board approval. The Board of Trustees appoints the Chief Executive and the Company Secretary. Roy Clare was appointed as Chief Executive on 1 September 2007. Jane Harwood was the Company Secretary until she resigned from that position on 3 April 2008 and Paul Lander was appointed in her place on the same day.

Trustees are unremunerated, with the exception of the Chairman, Andrew Motion. Details of his remuneration can be found in the Remuneration Report on page 18. Travel and subsistence expenses reimbursed to 11 Board Members (2008: 12) amounted to £4,555 (2008: £5,841).

Register of Interests

The MLA maintains a register of financial interests of its Trustees which is published on MLA's website and is available for public inspection by appointment at its registered office, Grosvenor House, 14 Bennetts Hill, Birmingham, B2 5RS. Copies can also be provided by post.

Staff Establishment and Organisation Structure

The MLA establishment at 31 March 2009 comprised 90 full time equivalents (FTEs) including vacant posts. A further 16 FTEs were also employed in posts funded by programme funding that is in addition to the DCMS baseline grant. This establishment was structured into five divisions, led by the Head of Communications and Directors of Policy and Sustainability, Programme Delivery, Corporate Services, Engagement East, Engagement West, Engagement North. For the majority of the year, the first four of these executives, together with the Chief Executive comprised the Executive Board. On 1 January 2009 the Executive Board was extended to include the three newly created posts of Directors of Engagement. These Directors lead area teams that take forward the MLA's work in the English Regions replacing the eight Regional Agencies that have closed down.

Other staffing matters

MLA is accredited as an Investor in People and is committed to that standard's principles, including development of its people and effective communication. Teams have regular meetings and major policy and operational issues are presented for discussion at all staff meetings as appropriate. MLA recognises the trade union, Prospect, for the purpose of collective bargaining. The Joint Consultation and Negotiation Committee meets regularly with additional ad hoc meetings as required. MLA is committed to a policy of diversity and equality of opportunity and is currently developing an enhanced single equality scheme that takes account of recent structural changes and emulates best practice.

The remuneration report can be found on page 18.

Public sector payment policy

MLA adheres to the Better Payment Practice code. This means that payment terms are agreed at the outset of a contract and explained to suppliers and all payments are made in accordance with those terms. In the year under review, all undisputed invoices were paid within the prescribed payment terms.

DCMS Performance indicators

DCMS set a number of performance indicators for MLA to meet by the end of March 2009. Achievements against these are set out below.

| Performance Indicator | Achievement for 2008/09 |
|---|---|
| Increase the overall number of visits to Renaissance hub museums above the 2006/07 baseline | Achievement 2008/09 15,801,894 Baseline 2006/07 13,787,305 |
| Increase the number of visits by adults from priority groups (BME/NS SEC groups 5-8/Disabled People) to Renaissance hub museums above the 2006/07 baseline | Achievement 2008/09 3,310,007 Baseline 2006/07 3,075,624 |
| Increase the number of participation contacts between school age children in years 1-11 and Renaissance hub museums above the 2006/07 baseline | Achievement 2008/09 1,495,572 Baseline 2006/07 1,224,863 |
| Increase the number of instances of adults and child visitors to Renaissance hub museums participating in on-site activity above the 2006/07 baseline | Achievement 2008/09 1,190,517 Baseline 2006/07 1,019,655 |
| Encourage the voluntary reporting of finds recorded through the Portable Antiquities Scheme to be maintained at a similar level to that achieved in 2007/08 | Achievement 2008/09 54,339 Baseline 2007/08 61,732 Whilst the number of finds reported fell in 2008/09 we expect them to exceed the baseline in 2009/10 |
| Ensure that an independent review of the Portable Antiquities Scheme is undertaken and changes implemented in order that the benefits to stakeholders relative to funding invested are improved | The review was completed in October 2008 Revised funding and contracting arrangements have been implemented for 2009/10 onwards |

Risk management

The risks facing MLA are detailed in its risk register and cover financial, operational, regulatory and external risk. All identified risks have plans which mitigate those risks and are regularly reviewed and monitored by the audit committee. At the commencement of the financial year the following risks were identified as being most significant:

Business Continuity

Delivery of key business priorities during a demanding transitional period. The Trustees will additionally consider the effects of the changes to MLA's funding as set out above.

Creating the 'new MLA'

Recruitment of new staff, establishing new ways of working and creating the new regional teams.

Stakeholder Confidence

Maintaining the confidence of the sector and key stakeholders during the change process.

Closure of Regional Agencies

Ensuring that Regional Agencies continue to operate satisfactorily during the wind down period; that staff redundancies and transfers are properly dealt with and all financial and legal requirements are met. Negotiation and settlement of pension liabilities.

Knowledge Management

Minimising the loss of knowledge and expertise as staff leave MLA and regional agencies are closed down.

During the course of the year the following risk was added to the register:

Effective Board Governance

Ensuring that suitably experienced Board members are recruited to replace those leaving following the closure of the Regional Agencies.

The Board of Trustees is satisfied that its existing internal controls, which are reviewed annually by its internal auditors, adequately counter the risks of financial loss by fraud, waste or error and that the strategy adopted provides a sound basis for effective risk management.



Roy Clare
Accounting Officer



Andrew Motion
Chair

The Museums, Libraries and Archives Council
19 March 2010

REMUNERATION REPORT

Remuneration Committee

During the year the MLA simplified its committee structure and the Human Resources and Remuneration Committee, which met once during the year, was replaced by the Remuneration Committee. This was established in March 2008 and had its first meeting on 26 March 2008. The Committee will meet twice each year in future. The Committee is responsible for reviewing the salary of the CEO and all senior managers employed by MLA. In total this amounted to seven managers in 2008/2009.

The Remuneration Committee has three members:
Andrew Motion (Chair of MLA), Geoffrey Bond (Trustee), Helen Forde (Trustee).

The Chief Executive, Roy Clare attends committee meetings except where matters relate to his own pay and performance. The Committee is supported by Frances Morris, HR Manager and Alan Hurst a specialist in public sector remuneration arrangements.

Remuneration policy of senior managers.

At the first meeting of the committee, a policy of remuneration was adopted which was based on a comprehensive collection of reward principles which aims to ensure that:

- Remuneration is closely tied to the strategic aims of the MLA.
- Remuneration compares appropriately with similar organisations.
- Individual development is allowed for.
- Gender and peer equality principles are embedded.

Senior managers are entitled to membership of the Principal Civil Service Pension Scheme (as are all permanent employees) subject to the PCSPS eligibility criteria. Full Scheme details are available at www.civilservice.gov.uk/pensions

Performance assessment

Assessment of performance of senior managers is carried out during the year in individual sessions with the Chief Executive, and is fully analysed and appraised at the annual appraisal at the end of the financial year. The Chief Executive is similarly assessed by the Chairman of the MLA. The MLA is in the process of introducing a revised performance management framework linked to the business plan objectives.

Performance related remuneration

In addition to their basic salary, senior managers' contracts provide for payment of an annual performance related bonus which is up to 10% of their basic salary (15% for the CEO) of which up to 2% may be consolidated. The remuneration set out in the following table includes any bonus payments made. Senior managers are not entitled to any other allowances or benefits whether cash or otherwise.

Senior managers' contractual policy

All senior managers have open-ended contracts of employment and have notice periods of three months with the exceptions of the CEO and Chair as indicated below. Senior managers are entitled to compensation for loss of employment under the terms of the Civil Service Compensation Scheme; full details are available from the Cabinet Office or at <http://www.civilservice.gov.uk/pensions/compensation-scheme.aspx>

The current senior managers and their roles are:

| | | Date of appointment | Nature of contract | Notice period |
|----------------|-------------------------------------|----------------------------|-----------------------------|----------------------|
| Andrew Motion | Chairman | 3 July 2008 | Appointed until 2 July 2012 | 1 month |
| Roy Clare | Chief Executive | 1 September 2007 | Open ended | 3 months |
| Paul Lander | Director of Corporate Services | 19 March 2007 | Open ended | 3 months |
| Hedley Swain | Director of Programme Delivery | 7 June 2007 | Open ended | 3 months |
| Sue Wilkinson | Director of Policy & Sustainability | 21 June 1999 | Open ended | 3 months |
| Keith Bartlett | Director of Engagement North | 9 February 2009 | Open ended | 3 months |
| Sam Bestwick | Director of Engagement East | 1 January 2009 | Open ended | 3 months |
| Jon Finch | Director of Engagement West | 1 January 2009 | Open ended | 3 months |

The table below discloses their salaries in bands, together with the pension that each senior manager would receive if 31 March 2009 were his or her last day of service; the real increases in value of pension and lump sum over the year after considering the impact of inflation; and the cash equivalent transfer value as at 31 March 2009 and 2008 and the real increase in the year after the effects of inflation and member contributions have been taken into account. The cash equivalent transfer value (CETV) is an assessment of what it costs the scheme to provide these pension benefits after allowing for inflation and changes in market investment factors.

Previous year's salary figures are in brackets. Salaries marked with * are for part year only.

| This disclosure has been subject to audit. | Salary, including any bonus or Benefit in kind £'000 | Real increase in pension (and related lump sum) at age 60 £'000 | Total accrued pension at age 60 at 31 March 2009 (and related lump sum) £'000 | Cash equivalent transfer value at 31 March 2008 £'000 | Cash equivalent transfer value at 31 March 2009 £'000 | Real increase in CETV £'000 |
|---|---|--|--|--|--|--------------------------------|
| Andrew Motion - Chair | 15-20 | n/a | n/a | n/a | n/a | n/a |
| Roy Clare Chief Executive | 135 – 140 (80 – 85)* | n/a | n/a | n/a | n/a | n/a |
| Paul Lander - Director of Corporate Services | 95 – 100 (90 – 95) | 0 – 2.5 | 0 – 5 | 28 | 57 | 24 |
| Hedley Swain - Director of Programme Delivery | 70 – 75 (n/a) | 0 – 2.5 | 0 - 5 | 12 | 27 | 12 |
| Sue Wilkinson - Director of Policy & Sustainability | 85 – 90 (85 – 90) | 0 – 2.5 (& 0 – 2.5) | 25 – 30 (& 75 – 80) | 398 | 429 | 2 |
| Keith Bartlett - Director of Engagement North | 5 – 10* | 0 – 2.5 (& 2.5 – 5) | 5 – 10 (& 20 – 25) | 111 | 133 | 15 |
| Jon Finch - Director of Engagement West | 15 – 20* | n/a | n/a | n/a | n/a | n/a |
| Sam Bestwick - Director of Engagement East | 20 – 25* | n/a | n/a | n/a | n/a | n/a |
| Jane Harwood – Deputy CE to 30 June 2008 | 30 – 35* (135– 40) | 0 – 2.5 | 5 - 10 | 98 | 111 | 9 |
| Mark Wood - Chair to 3 July 2008 | 5 -10* (35 – 40) | n/a | n/a | n/a | n/a | n/a |

The Chairman's terms of appointment and salary are fixed by the Secretary of State for Culture Media and Sport. He is not entitled to any compensation for loss of office, any pension benefits or performance related pay.

The CEO, Roy Clare, is a member of a personal pension scheme to which the MLA contributes at the rate of 6.9% of his basic salary, which is the total liability falling on MLA in respect of these arrangements. During 2008/09 the total cost of the contributions was £8,640 (2007/08: £1,400).

Jon Finch and Sam Bestwick did not contribute to the MLA pension scheme in 2008/09 since their contracts of employment were transferred under TUPE. The Government Actuaries Department is currently reviewing this situation in order to enable their transfer in to a comparable pension scheme.

There were no payments made, or payable, in respect of compensation on early retirement or loss of office.

There were no non-cash benefits received for 2008/9 (2007/08 £nil).

There were no elements of remuneration paid other than in cash.

FINANCIAL RESULTS FOR THE YEAR

These are set out in the financial statements which comply with the accounting requirements set out in the Statement of Recommended Practice on Accounting by Charities (2005).

Total incoming resources for the year were £55.4m for the consolidation and £54.3m (2008: £64.8m) for the company, £11.2m (2008: £14.3m) of which was in unrestricted funds. The balance of £44.2m for the consolidation and £43.1m (2008: £50.5m) for the company was made up of the restricted element of DCMS Grant in Aid and grant income from other sources towards various grant aided schemes and projects. The analysis of resources expended is set out under each of MLA's four strategic objectives for the year (which align with its charitable activities) and under governance costs. Incoming resources from charitable activities have been similarly analysed. Grants awarded in the year, excluding those paid to subsidiaries, totalled £45.3m for the consolidation and £43.9m (2008: £44.5m) for the company.

The cost of charitable activities, excluding grants payable, amounted to £15.9m for the consolidation and £8.2m for the company (2008: £11.3m). The closure of the regional agencies has necessitated making a provision for exit charges to six local government pension schemes see notes 1h and 13 for details. This gives rise to exceptional costs of £14.5m for the consolidation (2008: nil) and £12.7m for the company (2008: nil).

The deficit for the year, after charging exceptional costs was £20.7m for the consolidation and £17.7m (2008: deficit £1.5m) for the company. The balances held at the year end are deficits on unrestricted funds of £13.4m (2008: £nil) for both the consolidation and the company and deficits on restricted funds of £3.3m (2008: surplus £0.3m) for the consolidation and £4.0m (2008: surplus £0.3m) for the company.

The deficits have arisen as a consequence of making provision for pension scheme exit charges, as described above, and changes to the way in which Grant in Aid is drawn down from MLA's sponsor department DCMS. The Trustees believe that this deficit can be funded by retaining surpluses arising from future activities and drawing upon additional support guaranteed by DCMS and therefore the financial statements have been drawn up on a going concern basis (see note 1 Accounting Policies for more details).

Reserves policy

Under the reserves policy funds are designated for specific purposes to further the specific objectives of MLA. One such designated fund is a base reserve set aside to meet exceptional unforeseen expenditure or protect the organisation in the event of a downturn in earned income. This fund was established at a level of £0.3m in 2006/07 with the intention that it should be increased to £0.5m in future years.

Since that time there have been substantial exceptional costs, amounting to £12.7m, arising from the restructuring of the MLA and wind down of eight regional agencies. In addition, changes to the way in which Grant in Aid is drawn down in order that MLA is funded by DCMS on a cash flow needs basis has resulted in a "claw back" of unrestricted Grant in Aid of £1.4m in respect of the 2007/08 balance. The combination of these events has resulted in a deficit of £12.7m on unrestricted funds. However, as DCMS has provided assurances that Grant in Aid allocated to MLA can be drawn down on a needs basis this situation is expected to be corrected in future years. The Trustees will be engaging in discussions with DCMS as to whether reserves should be rebuilt to the previously set level of £0.5m.

The change to the method of drawing down Grant in Aid has also resulted in a deficit on certain restricted funds which are funded by DCMS. Renaissance funds for 2007/08 amounting to £1.6m have been claimed back by DCMS and funding for 2008/09 has been reduced to that needed to fund immediate payments, not outstanding liabilities, resulting in a deficit on the Renaissance fund of £5.0m. As DCMS has provided assurances that funds will be provided on a needs basis when outstanding liabilities are settled the Trustees are confident that the deficit will be met from these resources, and not from other restricted funds.

Advisers

Key advisers to the MLA are:

| | | | |
|--|--|--------------------------------------|--|
| External Auditors (for MLA Council and Consolidation only) | The Comptroller and Auditor General National Audit Office 157 - 197 Buckingham Palace Road Victoria London SW1W 9SP | Solicitors | Bates Wells and Braithwaite 2-6 Cannon Street London EC4M 6YH Pinsent Masons 1 Park Row Leeds LS1 5AB |
| External Auditor – MLA C East of England | Whiting & Partners Garland House Garland Street Bury St Edmunds Suffolk IP33 1EZ | External Auditor – MLA East Midlands | RSM Tenon Audit Limited St Matthews House 6 Sherwood Rise Nottingham NG7 6JF |
| External Auditor – MLA North East | RMT Gosforth Park Avenue Newcastle upon Tyne NE12 8EG | External Auditor – North West | Warings Bedford House 60 Chorley New Road Bolton BL1 4DA |
| External Auditor – MLA South East | RSM Tenon Limited Highfield Court, Tolgate Chandlers Ford Eastleigh Hampshire S053 3TY | External Auditor – West Midlands | Worton Rock Limited Churchfield House 36 Vicar Street Dudley West Midlands DY2 8RG |
| External Auditor – MLA South West | Butterworth Jones 7 Castle Street Bridgwater TA6 3DT | External Auditor – MLAC Yorkshire | Barber Harrison & Platt 2 Rutland Park Sheffield S10 2PD |
| Internal Auditors | Moore Stephens St Paul's House Warwick Lane London EC4M 7BP | Accounting Advisers | Sayer Vincent 8 Angel Gate City Road London EC1V 2SJ |
| Bankers | Lloyds TSB plc Lloyds TSB Corporate Public & Community Sector 3 rd Floor, 25 Gresham Street London EC2V 7HN | Consulting Actuaries | Atkin & Co. Oakslade Station Road Hatton Warwickshire CV35 7LH |

Auditors

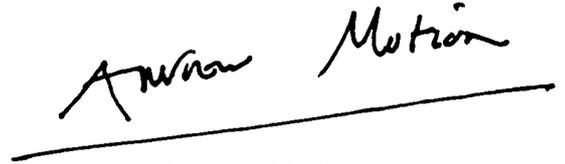
The Comptroller & Auditor General has been appointed to audit the consolidation and company accounts of the Museums Libraries and Archives Council pursuant to the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009. The audit fee for this work was £88k. Non-audit work was not performed by the auditors.

Statement as to disclosure of information to auditors

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



Roy Clare
Accounting Officer



Andrew Motion
Chair

The Museums, Libraries and Archives Council
19 March 2010

Statement of Trustees' and Chief Executive's responsibilities

The Trustees are required by company law and the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, to prepare a statement of accounts for each financial year which gives a true and fair view of the state of affairs of the MLA and of the surplus or deficit for that year. In preparing that statement of accounts the Trustees are required to:

- observe the accounts directions issued by the Secretary of State including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis (a copy of these directions is available on application in writing to the Accounting Officer at MLA);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed and disclose and explain any material departures in the statement of accounts; and
- prepare the statement of accounts on the going concern basis unless it is inappropriate to presume that the MLA will continue in operation.

The Accounting Officer for the Department of Culture, Media and Sport has designated the Chief Executive of the MLA as the Accounting Officer for the MLA. 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 HM Treasury and published in "Managing Public Money".



Roy Clare
Accounting Officer



Andrew Motion
Chair

The Museums, Libraries and Archives Council
19 March 2010

Statement on Internal Control

Scope of Responsibility

As Chairman of the Audit Committee and representative of the Board of Trustees and as Accounting Officer we are responsible for maintaining a sound system of internal control that supports the achievement of MLA's objectives whilst safeguarding the public funds and assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in "Managing Public Money". The system of internal control also serves to ensure compliance with the requirements of MLA's Funding Agreement which together with the Financial Memorandum and Management Statement set out the MLA's accountability relationship with the DCMS.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of MLA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

Capacity to handle risk

Three Board subcommittees give strong support to the Executive and ensure that appropriate scrutiny is exercised by Trustees - the Finance Committee, the Audit Committee and the Remuneration Committee. Managers use a standard template that encourages them to consider all relevant risks when preparing their contributions to the MLA's annual business plan. These are reviewed by the relevant Director during completion of the plan and on a bi-monthly basis as part of the review of performance considered by the Executive and reported to the Trustees. This process informs Directors' contributions to the Strategic Risk register that is updated bi-monthly by the Executive and presented to Trustees for scrutiny.

The risk and control framework

- The Board of Trustees determines MLA's strategy and considers and approves proposals for new policies or variations in existing policies. Annual budgets, business plans, corporate plans and annual reports are subject to approval by the Board of Trustees.
- The Executive Board develops plans, budgets and policy proposals and makes key decisions on operational management after considering relevant factors including risk.
- Regular reports are received by the Audit Committee on internal control and risk management. These reports are discussed in detail in order that Committee members have the opportunity to probe and challenge the Director of Corporate Services and Chief Executive before summary briefings are made to the full Board of Trustees.
- Reports are submitted to the Audit Committee by MLA's internal and external auditors. Since their appointments the National Audit Office and the internal auditors have attended all Audit Committee meetings since March 2009. For 2009/10 onwards the internal auditors are working in compliance with Government Internal Audit Standards and will issue an annual assurance report that provides a statement on the adequacy and effectiveness of the system of internal control during the year and recommendations for improvement. The limited scope of internal audit's engagement in 2008/09 has prevented internal audit from providing an annual report of assurance for the year.
- Bi-monthly progress reports are submitted to the Finance Committee by the Director of Corporate Services covering the MLA's current financial position, the likelihood that financial plans will be achieved and the risks attached. These reports are discussed in detail in order that Committee members have the opportunity to probe and challenge the Director of Corporate Services and Chief Executive before summary briefings are made to the full Board of Trustees.
- Bi-monthly progress reports from the Chief Executive and Executive Board are presented to the full Board of Trustees covering performance against key objectives, the likelihood that planned outcomes will be achieved and the risks attached. These reports are discussed in detail at Board

meetings in order that Trustees have the opportunity to probe and challenge members of the Executive;

- A risk register which identifies strategic risks and allocates responsibility for their management to members of the Executive Board is maintained and presented to the Audit Committee with appropriate reports made to the Board of Trustees.

Review of effectiveness

As Chairman of the Audit Committee and Accounting Officer we have responsibility for continually reviewing the effectiveness of the system of internal control. Our review is informed by the work of the internal auditors, the executive managers within MLA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in any management letter or other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place (see details below).

This system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and financial statements and accords with Treasury guidance. However, during 2008/09 the MLA substantially restructured and relocated in order to achieve increased effectiveness, lower operating costs and greater value for money. Further details are provided in the introduction on page 4.

As a consequence of these changes a number of weaknesses in the system of internal control were identified that have necessitated additional work to be undertaken in order that adequate internal control assurances could be provided to the Audit Committee and the Accounting Officer. Details are set out below:

| Significant Internal Control Issue | Action Taken To Address Issue |
|--|---|
| Internal audit | |
| <p>During the year Audit Committee received internal audit reports relating to work that had been carried out prior to May 2008. The reports covered five areas of activity and gave reasonable assurance with regards to Grant Administration, Payroll and Corporate Governance. They gave limited assurance with regards to Pensions Administration and Key Financial Controls</p> <p>MLA then engaged the same auditors AHL (now merged with Moore Stephens) to provide internal audit services for specific issues relating back to 2008-09. This consisted of a review of Key Financial Controls, Management of the Strategic Commissioning Programme and Procurement. Reports giving limited assurance for all three areas were presented to the Audit Committee in September 2009. In addition AHL was asked to review the controls within two Renaissance hubs, South East and South West. The reports for this work are awaiting agreement by the MLA and the</p> | <p>In May 2009, MLA appointed AHL (now merged with Moore Stephens) to provide a Government Internal Audit Standards compliant Internal Audit Service for 2009/10. All weaknesses identified in the 2007/08 and 2008/09 reports are being addressed.</p> <p>Key actions already implemented:</p> <ul style="list-style-type: none"> ➤ Monthly reconciliation between the grants administration and the accounting systems ➤ Improved payroll administration procedures ➤ Improved register of interests and management of conflicts of interest ➤ Improvements to the monitoring and management of the MLA’s pension administrator ➤ Improved procedures for the monthly reconciliation of control accounts ➤ Financial procedures have been updated ➤ Improvements to the audit trail for all contracts ➤ Large grants now being progressively arranged on a repayment basis <p>Key actions being implemented:</p> <ul style="list-style-type: none"> ➤ New procurement policies and procedures with relevant staff training |

| | |
|--|--|
| <p>parties concerned.</p> <p>The limited scope of internal audit's engagement in 2008-09 has prevented internal audit from providing an annual report of assurance for the year.</p> | <ul style="list-style-type: none"> ➤ New integrated procurement system ➤ Creation of Strategic Commissioning Programme board. ➤ Increased segregation of duties |
| <p>Monitoring of grants awarded to third parties</p> | |
| <p>As a result of the significant changes in staff the monitoring of third parties in order to ensure that grant funds are being used for the purposes for which they were awarded was not as thorough as required.</p> <p>On four occasions incorrect payments were made to grant recipients. Three came to light when subsequent payments for the same grant were processed and the fourth was brought to MLA's attention by the grant recipient before an internal reconciliation was carried out. In all cases the funds were reclaimed.</p> <p>A number of other control weaknesses arose which meant that MLA could not be sure that grant recipients accepted and complied with MLA's grant terms and conditions.</p> | <p>On the advice of its external auditors the MLA has undertaken a retrospective review of all grants to third parties where amounts in excess of £20,000 had been drawn down in the year. This exercise has given an appropriate level of retrospective assurance that, in all material respects, funds have been utilised for the purpose for which they were awarded.</p> <p>During 2009/10 the MLA has been introducing regular monitoring of grant recipients but this is not yet complete therefore a similar retrospective exercise will be implemented for those areas that have not had regular in year monitoring.</p> <p>For 2010/11 MLA will have in place a comprehensive programme for monitoring the performance and financial regularity of all grant recipients to provide MLA with the assurance it requires, and to a standard approved by its external auditors.</p> |
| <p>Manual journal entries in the accounting system</p> | |
| <p>As part of the implementation of a new accounting system and changes in accounting methodology during the year the number of transactions entered into the accounting system by way of journal entry was approximately 50% higher than would be expected in subsequent years.</p> <p>The audit trail to support the journals and narratives describing the transactions were not as extensive as the external auditors would recommend. Other control weaknesses identified included a small number of inaccurate postings of journals which were subsequently corrected.</p> | <p>All transactions with a gross value in excess of £0.5m have been reviewed by MLA management and the findings examined by the external auditors. As a result MLA is satisfied that there are no material misstatements of financial records.</p> <p>MLA has revised its procedures for the raising and inputting of manual journals, to ensure accurate and appropriate posting and to reduce errors. For future periods all entries will be reviewed by a senior manager before posting. This will include a review of supporting evidence and the need for the entry. A strict control process will ensure that a third party reviews all journals raised on a monthly basis and that the use of journal entries is minimised.</p> |
| <p>Drawing down grant in aid from DCMS</p> | |
| <p>MLA has drawn down its full allocation of grant in aid in each of the last 10 years in order to ensure that, as a charity, it could meet all its liabilities. The MLA's Trustees authorised this approach as they believed that it was the most appropriate way to discharge their responsibilities.</p> | <p>During the course of 2009/10 MLA has changed its procedures for drawing down grant-in-aid, in order to be compliant with the Funding Agreement and Financial Memorandum. Grant in aid that had been drawn down in advance of cash flow need has been repaid to DCMS.</p> |

| | |
|---|---|
| <p>MLA and DCMS have now agreed that drawing down grant in aid in this manner is not compliant with the Funding Agreement and Financial Memorandum.</p> | |
| <p>Operating outside delegated authority</p> | |
| <p>During 2008/09 the processing of 98 purchase transactions (2% of the total) were authorised by members of staff who exceeded their delegated authority. The transactions were valid and the subsequent payments were authorised by managers with the correct authority.</p> <p>This situation arose as during the relocation from London there were not always managers with the correct level of authority available in Birmingham to authorise transactions quickly enough for them to be paid on time.</p> <p>The 98 transactions that occurred in 2008/09 have now been examined in detail and retrospectively authorised by the MLA Board.</p> | <p>MLA has taken steps to ensure that all transactions are authorised by managers with the correct level of authority. If managers seek to exceed their delegations of authority, then the transaction will not be processed and an appropriate authoriser identified.</p> |
| <p>Advances of Renaissance grant funding to museums</p> | |
| <p>During 2008/09 MLA started to distribute grant funding to Renaissance museums on a quarterly basis, in arrears, to reimburse actual expenditure incurred. Prior to this all Renaissance funding had been paid to museums in advance, on a quarterly basis in equal instalments.</p> <p>This change placed demands on the working capital of the museums involved and whilst the majority were able to rely upon parent organisations to provide the necessary support, six independent museums requested cash flow assistance from the MLA. In response the six museums received advances £1.16m in the first quarter and repaid them in the last quarter of the year.</p> | <p>These advances were approved by MLA executives as they were wholly within the level of grant funding already authorised. However, as they exceeded the scheme of delegation defined by the MLA the external auditors recommended that they be brought to the attention of the MLA Board and specific authority obtained for these advances and any to be made in subsequent years.</p> <p>At their meeting in November 2009 the MLA Board approved the principle of making advance payments to Renaissance museums when a suitable case was put forward. In addition the nine advances made in 2009/10 totalling £1.4m were specifically approved.</p> <p>In future when advances of grant funding are made the Board of Trustees will be notified and approval sought from the Board.</p> |
| <p>Accounting for commitments</p> | |
| <p>The vast majority of the MLA's expenditure relates to the distribution of grants and payments under contract to suppliers (88.2%). The balance, excluding staff costs, (4.5%) relates to other purchases.</p> <p>MLA has a free standing IT system for</p> | <p>During 2009/10 regular reconciliations between the grants and contracts system and the accounting system has ensured that there is greater control over outstanding commitments.</p> <p>Revisions have been made to grant agreements and contracts in order to minimise the number that create</p> |

| | |
|--|--|
| <p>keeping track of all grant and contracted commitments but it does not have a purchase order system for other purchases. Moreover the free standing grants and contracts system requires manual reconciliation with the accounting system. As a consequence significant manual verification of outstanding balances at the year end had to take place in order to provide the required level of assurance for the financial statements.</p> | <p>outstanding liabilities at the year end.</p> <p>During 2010/11 MLA will implement an improved grants and contracts management system that will integrate with the accounting system. In addition it will introduce a procurement system for sundry purchases.</p> |
| <p>Timeliness of financial reporting</p> | |
| <p>Preparation of the financial statements for 2008/09 has presented MLA with a significant challenge with regards to both workload and technical complexity. For the first time MLA has needed to supervise the preparation of accounts for eight "subsidiary charities" and then consolidate them to produce group accounts.</p> <p>In order to allow time for progress to be made in negotiating the exit charges for the eight regional agency pension schemes it was agreed that preparation of the financial statements would be delayed until autumn 2009. The substantial additional work required to deal with internal control and regularity issues has resulted in MLA not being able to finalise its financial statements within the statutory deadline with the resources at its disposal.</p> | <p>Additional resources have now been added to the MLA finance team through the use of interim staff whilst permanent employees are recruited. In addition many of the improvement actions described above will result in the volume of work required to prepare the 2009/10 financial statements being less than in 2008/09.</p> <p>Many of the difficult challenges faced in 2008/09, for example resolution of GIA issues and agreeing a basis for dealing with pension liabilities will not reoccur in 2009/10. Preparation of the accounts for the subsidiaries has already commenced.</p> <p>As a result of these changes the MLA will prepare a full set of draft financial statements for 2009/10 for audit at the beginning of June 2010.</p> |



Roy Clare
Accounting Officer



Glenville Lawes
Chair of the Audit Committee
and Trustee

The Museums, Libraries and Archives Council
19 March 2010

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE MUSEUMS, LIBRARIES AND ARCHIVES COUNCIL

I have audited the financial statements of the Museums, Libraries and Archives Council for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Summary Consolidated Income and Expenditure Account, Consolidated and Company Statement of Financial Activities, the Consolidated and Company Balance Sheets, and the Consolidated and Company Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for ensuring the regularity of financial transactions funded by Parliamentary grant-in-aid. These responsibilities are set out in the Statement of Trustees' and Chief Executive's Responsibilities. The trustees are also responsible for preparing the Remuneration Report in accordance with the Government Financial Reporting Manual.

My responsibility is to audit the financial statements, and the part of the Remuneration Report to be audited, in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual. I report to you whether, in my opinion, the information given in the Trustees' Annual Report is consistent with those financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliamentary grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if, in my opinion, the charity has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

I review whether the Statement on Internal Control reflects the Museums, Libraries and Archives Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Museums, Libraries and Archives Council's corporate governance procedures or its risk and control procedures.

I read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Introduction, Review of the Year and the Report of the Board of the Trustees, and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the

preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Museums, Libraries and Archives Council as at 31 March 2009, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliamentary grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

26 March 2010

Summary Consolidated Income and Expenditure Account for the year ended 31 March 2009

| | 2009 | 2009 | 2008 |
|-----------------------|----------------------|-----------------|---------------|
| | Consolidation | Company | Company |
| | | | (as restated) |
| | £'000 | £'000 | £'000 |
| Total income | 55,363 | 54,265 | 64,805 |
| Operating expenditure | (61,579) | (59,295) | (66,311) |
| Exceptional items | (14,487) | (12,703) | - |
| Total deficit | (20,703) | (17,733) | (1,506) |

The Museums, Libraries and Archives Council received Grant in Aid in the year ended 31 March 2009 which included the sum of £ nil (2008: £50k) which was applied on capital expenditure.

The operating deficit for the year arises from the company's, and its consolidated subsidiaries', continuing operations.

The deficit is increased as a result of incurring substantial exceptional costs (see note 30) in the wind down of eight regional agencies and the exit charges from six local government pension schemes as part of MLA's restructure programme.

In 2008/09 MLA has prepared consolidated accounts for the first time having assumed dominant influence over the eight regional agencies from 1 April 2008 (see note 1b). Therefore the comparative figures for 2008 are company only figures.

The notes on pages 38 to 59 form an integral part to these financial statements.

Consolidated Statement of Financial Activities for the year ended 31 March 2009

| | Note | Unrestricted funds £'000 | Restricted funds £'000 | Total 2009 £'000 | Total company 2008 (as restated) £'000 |
|---|-----------|--------------------------------|------------------------------|------------------------|---|
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary Income | | | | | |
| - Grant in Aid | 2 | 11,018 | 38,955 | 49,973 | 56,907 |
| Investment income | 3 | 183 | 989 | 1,172 | 859 |
| Incoming resources from charitable activities | 4,5 | - | 4,218 | 4,218 | 7,039 |
| Total incoming resources | | 11,201 | 44,162 | 55,363 | 64,805 |
| Resources expended | | | | | |
| Cost of charitable activities: | | | | | |
| Increasing and sustaining participation | | | | | |
| | | 2,091 | 29,643 | 31,734 | 35,142 |
| Putting museums, libraries and archives at the heart of national, regional and local life | | | | | |
| | | 904 | 5,391 | 6,295 | 6,921 |
| Establishing a world class and sustainable sector | | | | | |
| | | 4,931 | 13,146 | 18,077 | 19,422 |
| Leading sector strategy and policy development | | | | | |
| | | 993 | 4,125 | 5,118 | 4,718 |
| | 6,7 | 8,919 | 52,305 | 61,224 | 66,203 |
| Governance costs | 8 | 166 | 189 | 355 | 108 |
| Exceptional costs | 30 | - | 14,487 | 14,487 | - |
| Total resources expended | | 9,085 | 66,981 | 76,066 | 66,311 |
| Notional cost of capital | 22 | - | - | - | 88 |
| Net incoming/(outgoing) resources after notional costs | | 2,116 | (22,819) | (20,703) | (1,594) |
| Reversal of notional costs | 22 | - | - | - | 88 |
| Net incoming/(outgoing) resources | | 2,116 | (22,819) | (20,703) | (1,506) |
| Transfers between funds | 21 | (15,551) | 15,551 | - | - |
| Net incoming/(outgoing) resources after transfers between funds | | (13,435) | (7,268) | (20,703) | (1,506) |
| Subsidiaries' funds transferred | | - | 3,717 | 3,717 | - |
| Net movement in funds | | (13,435) | (3,551) | (16,986) | (1,506) |
| Total Funds brought forward at 1 April 2008 (as restated) | | - | 298 | 298 | 1,804 |
| Total Funds carried forward at 31 March 2009 | 21 | (13,435) | (3,253) | (16,688) | 298 |

All activities are continuing operations. There are no recognised gains or losses other than those shown above.

The notes on pages 38 to 59 form an integral part to these financial statements.

Company Statement of Financial Activities for the year ended 31 March 2009

| | Note | Unrestricted funds £'000 | Restricted funds £'000 | Total 2009 £'000 | Total 2008 (as restated) £'000 |
|---|-----------|--------------------------------|------------------------------|------------------------|--|
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income | | | | | |
| - Grant in Aid | 2 | 11,018 | 38,828 | 49,846 | 56,907 |
| Investment income | 3 | 183 | 686 | 869 | 859 |
| Incoming resources from charitable activities | 4,5 | - | 3,550 | 3,550 | 7,039 |
| Total incoming resources | | 11,201 | 43,064 | 54,265 | 64,805 |
| Resources expended | | | | | |
| Cost of charitable activities: | | | | | |
| Increasing and sustaining participation | | | | | |
| | | 2,654 | 28,441 | 31,095 | 35,142 |
| Putting museums, libraries and archives at the heart of national, regional and local life | | | | | |
| | | 1,467 | 4,306 | 5,773 | 6,921 |
| Establishing a world class and sustainable sector | | | | | |
| | | 5,494 | 12,121 | 17,615 | 19,422 |
| Leading sector strategy and policy development | | | | | |
| | 6,7 | 11,172 | 47,957 | 59,129 | 66,203 |
| Governance costs | 8 | 166 | - | 166 | 108 |
| Exceptional costs | 30 | 12,703 | - | 12,703 | |
| Total resources expended | | 24,041 | 47,957 | 71,998 | 66,311 |
| Notional cost of capital | 22 | - | - | - | 88 |
| Net incoming/(outgoing) resources after notional costs | | (12,840) | (4,893) | (17,733) | (1,594) |
| Reversal of notional costs | 22 | - | - | - | 88 |
| Net incoming/(outgoing) resources | | (12,840) | (4,893) | (17,733) | (1,506) |
| Transfers between funds | 21 | (595) | 595 | - | - |
| Net movement in funds | | (13,435) | (4,298) | (17,733) | (1,506) |
| Total Funds brought forward at 1 April 2008 (as restated) | | - | 298 | 298 | 1,804 |
| Total Funds balances carried forward at 31 March 2009 | 21 | (13,435) | (4,000) | (17,435) | 298 |

All activities are continuing operations. There are no recognised gains or losses other than those shown above.

The notes on pages 38 to 59 form an integral part to these financial statements.

Consolidated Balance Sheet as at 31 March 2009

| | Notes | 2009 | | Company 2008 (as restated) | |
|--|-------|-----------------|-----------------|----------------------------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 14a | | 678 | | 83 |
| Current assets | | | | | |
| Debtors | 15 | 1,004 | | 1,093 | |
| Cash at bank and in hand | | 23,491 | | 11,736 | |
| Short term deposits | | <u>2,468</u> | | <u>-</u> | |
| | | 26,963 | | 12,829 | |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 16,17 | <u>26,808</u> | | <u>9,804</u> | |
| Net current assets | | | 155 | | 3,025 |
| Total assets less current liabilities | | | 833 | | 3,108 |
| Provisions for liabilities and charges | 18,19 | | <u>(17,521)</u> | | <u>(2,810)</u> |
| Net (liabilities)/assets | | | (16,688) | | 298 |
| Represented by reserves: | | | | | |
| Restricted funds | 21 | | (3,253) | | 298 |
| Unrestricted funds: | | | | | |
| Designated funds | 21 | - | | - | |
| General funds | 21 | <u>(13,435)</u> | | <u>-</u> | |
| | | | (13,435) | | - |
| Total charity funds | | | (16,688) | | 298 |

The notes on pages 38 to 59 form an integral part to these financial statements.

Approved and authorised for issue by the Board of Trustees and signed on their behalf:



Roy Clare
Accounting Officer



Andrew Motion
Chair

The Museums, Libraries and Archives Council
19 March 2010

Company Balance Sheet as at 31 March 2009

| | | 2009 | | 2008 (as restated) | |
|--|-------|-----------------|-----------------|-----------------------|----------------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 14b | | 678 | | 83 |
| Current assets | | | | | |
| Debtors | 15 | 1,038 | | 1,093 | |
| Cash at bank and in hand | | <u>20,720</u> | | <u>11,736</u> | |
| | | 21,758 | | 12,829 | |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 16,17 | <u>38,925</u> | | <u>9,804</u> | |
| Net current (liabilities)/assets | | | (17,167) | | 3,025 |
| Total assets less current liabilities | | | (16,489) | | 3,108 |
| Provisions for liabilities and charges | 18,19 | | (946) | | (2,810) |
| Net (liabilities)/assets | | | (17,435) | | 298 |
| Represented by reserves: | | | | | |
| Restricted funds | 21 | | (4,000) | | 298 |
| Unrestricted funds: | | | | | |
| Designated funds | 21 | - | | - | |
| General funds | 21 | <u>(13,435)</u> | | <u>-</u> | |
| | | | (13,435) | | - |
| Total charity funds | | | (17,435) | | 298 |

The notes on pages 38 to 59 form an integral part to these financial statements.

Approved and authorised for issue by the Board of Trustees and signed on their behalf:



Roy Clare
Accounting Officer



Andrew Motion
Chair

The Museums, Libraries and Archives Council
19 March 2010

Cash Flow Statement for the year ended 31 March 2009

| | Notes | Consolidation 2009 £'000 | Company 2009 £'000 | Company 2008 £'000 |
|--|-------|---|-----------------------------------|--------------------------|
| Net cash inflow /(outflow) from operating activities | 24a | 13,777 | 8,816 | 2,405 |
| Return on investments and servicing of finance | 24b | 1,172 | 869 | 859 |
| Capital expenditure and financial investment | 24b | (726) | (701) | (82) |
| Increase in cash & short term deposits | 24d | 14,223 | 8,984 | 3,182 |

The notes on pages 38 to 59 form an integral part to these financial statements.

Notes to the financial statements

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention. They meet the requirements of the Companies Act 1985 and the Statement of Recommended Practice on Accounting and Reporting by Charities (2005) and applicable accounting standards.

After the year end MLA agreed with DCMS that it will in future draw down Grant in Aid at a rate needed to satisfy its immediate cash flow needs and MLA agreed with its external auditors that the financial statements for 2008/09 would be adjusted to show the position that would have arisen if MLA had been operating in this manner during the year. As a consequence the MLA's Balance Sheet shows a substantial deficit and the Trustees anticipate that this will be the pattern in future years.

DCMS has given assurances to the Trustees that Grant in Aid funding will be provided in future years in order to meet liabilities, including the exit charges for regional agency pension schemes, as they fall due. The Trustees are of the opinion that in the light of the assurances provided by DCMS the MLA is a going concern and the financial statements have been prepared on that basis.

(b) Consolidated accounts

During the year 2007/08, the MLA undertook a complete review of all its operations, including those promulgated through the regional agencies for which it provided significant funding. This review concluded that the existing structure of regional agencies was not efficient and a new structure was developed which continued the regional reach but did not necessitate the maintenance of separately constituted regional agencies. As a consequence of this decision, negotiations were commenced with the directors of those agencies, which resulted in eight of the regional agencies deciding to cease operations by 31 March 2009. All directors had resigned by that date and nominees from the MLA Board were appointed in their stead.

The Trustees of MLA therefore consider that MLA exercised dominant influence over these regional agencies with effect from 1 April 2008. Therefore the results of these agencies, detailed below, have been consolidated on a line-by-line basis in the Statement of Financial Activities and Balance Sheet.

Museums, Libraries and Archives Council, East of England
Museums, Libraries and Archives East Midlands
Museums, Libraries and Archives North East
Museums, Libraries and Archives North West
Museums, Libraries and Archives South East
Museums, Libraries and Archives South West
MLA West Midlands: The Regional Council for Museums, Libraries and Archives
Museums, Libraries and Archives Yorkshire

The comparative figures are for the company only as there was no requirement to consolidate before 1 April 2008 as noted above.

(c) Incoming resources and prior year adjustment

MLA accounts for all Grant in Aid income on a cash received basis. All other income from DCMS or other sources is accounted for on a receivable basis when all conditions within the relevant funding agreement have been met. If funding is received in order that it may be used to finance activities undertaken in a future period it is shown as deferred income.

In previous years, DCMS income was drawn down to the maximum value of the grants awarded under the relevant funding agreement. This ensured that the charity had the resources necessary to meet all liabilities as they fell due and that Trustees wholly complied with their obligations under charity law.

Notes to the financial statements

(c) Incoming resources and prior year adjustment - continued

As a consequence of this practice MLA held cash on deposit of £20,720k at 31 March 2009 (31 March 2008: £11,736k). Since the balance sheet date discussions have taken place between the MLA and DCMS and it has been agreed that the cash held at 31 March 2009 was in excess of that required by the MLA for its immediate cash flow needs by £15,020k and that for a Non Departmental Public Body to hold cash reserves of this magnitude is not consistent with Treasury guidance for managing public money. It has therefore been agreed that the MLA will not draw down cash in advance of need for the financial year 2009/10 and subsequent years.

This decision has necessitated the amendment of the previous year's financial statements to reflect all income which DCMS considers to have been drawn down in advance of need for that year.

(d) Resources expended

Grant awards are charged to the Statement of Financial Activities in the year in which the award is made (unless payment of the award is conditional on some uncertain future event). The exception to this is the V&A Purchase Grant Fund which is administered on MLA's behalf by the Victoria and Albert Museum. Grants awarded from this fund are charged to expenditure in the year in which the grants are paid. This treatment does not materially affect the figures reported. All other resources expended are charged to the Statement of Financial Activities on an accruals basis.

Resources expended, excluding governance costs and exceptional items, are analysed against MLA's strategic aims of increasing and sustaining participation (participation); putting museums, libraries and archives at the heart of national, regional and local life (advocacy); establishing a world class and sustainable sector (excellence); and leading strategy and policy development (leadership). An analysis by type of expense is included in the notes to the financial statements. Costs are directly attributed to the activity on which they are incurred whenever possible.

When this is not possible they are allocated on the basis of informed estimates. Costs grouped under the heading governance relate to the Board of Trustees and legal advice and internal and external audit services procured to ensure that the Board is properly able to satisfy its statutory obligations. Support costs incurred on the management and administration of grant programmes are allocated pro-rata to the value of grant awards attributed to each activity. Other support costs are allocated pro-rata to the value of other direct expenditure attributed to each activity.

Significant costs resulting from a restructuring of the organisation are separately disclosed on the face of the Statement of Financial Activities as exceptional items.

All costs charged to the Statement of Financial Activities include VAT, where appropriate. Any VAT recovered is credited back to operating activities when received.

(e) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

General funds are made up of accumulated surpluses and deficits on financial activities. They are available for use at the discretion of the Trustees in furtherance of MLA's objectives. Designated funds are made up of monies set aside from general funds for specific purposes at the discretion of the Trustees. The purpose and any application of designated funds are set out in the notes to the financial statements. Unrestricted funds are MLA's reserves and are managed in accordance with the MLA's reserves policy.

(ii) Restricted funds

These are funds subject to specific constraints on their use imposed at the time that the funds were awarded to MLA or subsequently effectively constrained by their application on investment in operational fixed assets. Funds arising from the acquisition of subsidiaries have been treated as follows:

Notes to the financial statements

(e) Fund accounting – continued

- Funds common to the subsidiaries and MLA have been consolidated in the consolidated financial statements.
- Funds created from income received other than from MLA have been separately maintained and will be disbursed in accordance with the original terms specified by the funding provider, reimbursed to the funding provider or redeployed to similar activities with the agreement of the funding provider,
- Funds which were regarded as specific to a geographical area have been separately maintained.

(f) Tangible fixed assets

Fixed assets are stated at historic cost. Items with a value of less than £1,000 are charged to expenses in the year of acquisition. Depreciation is charged on all tangible fixed assets on a straight line basis at rates calculated to write down the cost of these assets to their estimated net residual value, if any, at the end of their expected useful lives. Leasehold improvements are capitalised and depreciated over the period of the lease. The expected useful lives of key groups of tangible fixed assets are:

| | |
|--|-----------------------|
| Leasehold Improvements | Terms of the lease(s) |
| Office equipment, fixture and fittings | Five years |
| Computer equipment | Three years |
| Software | Five years |

Expected useful lives and anticipated residual values are reviewed on an annual basis and revised if there is any change in operating circumstances or market values.

(g) Leases

MLA has no finance leases. The cost of operating leases is charged to the Statement of Financial Activities over their terms.

(h) Pension costs

Company Scheme: Members of MLA staff are eligible to join the Principal Civil Service Pension Scheme. This is an unfunded multi-employer defined benefit scheme. MLA 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. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008/09 employer's contributions of £611,196 (2008: £606,000) were paid to HM Paymaster General or reimbursed to organisations seconding staff to MLA. The schemes' Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The rates in force during 2008/09 were:

| Staff pay within range | Employer contribution rate |
|------------------------|----------------------------|
| £19,500 and under | 17.1% |
| £19,501 to £40,500 | 19.5% |
| £40,501 to £69,000 | 23.2% |
| £69,001 and over | 25.5% |

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. One employee has preferred to maintain their own personal pension arrangement and the MLA makes contributions at the rate of 6.9% of their basic salary. During 2008/09 the total cost of these contributions was £8,640 (2007/08: £1,400).

Notes to the financial statements

(h) Pension costs – continued

Subsidiary company pension arrangements: Staff members of the subsidiary companies were entitled to join defined benefit pension schemes as follows:

Museums, Libraries and Archives Council, East of England: Oxfordshire County Council Pension Fund
Museums, Libraries and Archives East Midlands: Nottinghamshire County Council Local Government Superannuation Scheme

Museums, Libraries and Archives North East: Tyne & Wear Pension Fund,

Museums, Libraries and Archives North West: Greater Manchester Pension Fund

Museums, Libraries and Archives South East: Oxfordshire County Council Pension Fund

Museums, Libraries and Archives South West: Avon Pension Fund

Museums, Libraries and Archives West Midlands: West Midlands Pension Fund

Museums, Libraries and Archives Yorkshire: West Yorkshire Pension Fund

These subsidiaries ceased trading during the year 2008/09 and all employees who did not transfer to MLA have been made redundant. Provision for the liabilities arising from the cessation of membership of these schemes has been made in the accounts of the subsidiaries. As each subsidiary is engaged in withdrawing from membership of their pension arrangements it is not appropriate to base these provisions on FRS 17 valuations. The provisions are therefore based upon actuarial advice as to the exit charges likely to be levied by the individual pension schemes which are significantly higher than the deficits arising from previous FRS 17 valuations. Further details are included in notes 13 and 19 of these financial statements and the accounts of the subsidiaries.

(i) Provisions

Provision is made for liabilities which the Trustees know will arise in future periods but for which there is uncertainty about the amount or timing. The amount provided is based on the best information available as to the likely cost, including when appropriate advice from suitably qualified professionals, with allowance made for inflation, where material.

2 Voluntary income

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds (as restated) 2008 £'000 |
|--|--|--------------------------------------|---|---|
| Company: | | | | |
| DCMS Grant in Aid for: | | | | |
| Planned activities | 11,018 | - | 11,018 | 13,517 |
| Renaissance | - | 38,828 | 38,828 | 43,390 |
| Total Company voluntary income | 11,018 | 38,828 | 49,846 | 56,907 |
| Subsidiaries: Grants received | - | 127 | 127 | - |
| Total Consolidated voluntary income | 11,018 | 38,955 | 49,973 | 56,907 |

The prior year adjustments represent the amounts drawn down in advance of need in 2007-08 which MLA has repaid to DCMS (see note 31).

Notes to the financial statements**3 Investment income**

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 |
|---|--|--------------------------------------|---|---------------------------------|
| Company | | | | |
| Interest receivable on short term bank deposits | 183 | 686 | 869 | 859 |
| Subsidiaries | | | | |
| Interest receivable on short term bank deposits | - | 303 | 303 | - |
| Total Consolidated investment income | 183 | 989 | 1,172 | 859 |

The Company restricted fund interest was earned on the balance of a gift from the Gates Foundation that has not yet been disbursed.

4 Consolidated & Company Incoming resources from charitable activities

| | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 (as restated) |
|---|--------------------------------------|---|--|
| Sponsorship activities | - | - | 23 |
| Specific grants | | | |
| DCMS Strategic Commissioning | 2,220 | 2,220 | 2,150 |
| DCMS Framework for the Future | - | - | 2,000 |
| Controversial Stock | 26 | 26 | - |
| Arts Council England – Strategic Commissioning | - | - | 33 |
| Big Lottery Fund: Their Past Your Future Phase 2 | 725 | 725 | 376 |
| Big Lottery Fund – Community Libraries | - | - | 109 |
| Bricks | 29 | 29 | - |
| Entitle | 8 | 8 | - |
| Michael | 25 | 25 | - |
| Michael Plus | 14 | 14 | - |
| DCSF – Book Ahead | 174 | 174 | 2,000 |
| DfES - Videoconferencing | - | - | 32 |
| European Commission – international cultural initiatives | - | - | 186 |
| Olympics 2012 | 23 | 23 | - |
| Living Places | 306 | 306 | 130 |
| Total Company Incoming resources from charitable activities | 3,550 | 3,550 | 7,039 |
| Grants to subsidiaries | 668 | 668 | - |
| Total Consolidated incoming resources from charitable activities | 4,218 | 4,218 | 7,039 |

Notes to the financial statements

5 Incoming resources from charitable activities analysed by charitable activity

| Consolidation | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 (as restated) |
|---|--------------------------------------|---|--|
| Increasing and sustaining participation | 2,741 | 2,741 | 4,350 |
| Putting museums, libraries and archives at the heart of national, regional and local life | 534 | 534 | 422 |
| Establishing a world class and sustainable sector | 723 | 723 | 1,792 |
| Leading sector strategy and policy development | 220 | 220 | 475 |
| | <hr/> 4,218 | <hr/> 4,218 | <hr/> 7,039 |
| Company | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 (as restated) |
| Increasing and sustaining participation | 2,541 | 2,541 | 4,350 |
| Putting museums, libraries and archives at the heart of national, regional and local life | 367 | 367 | 422 |
| Establishing a world class and sustainable sector | 576 | 576 | 1,792 |
| Leading sector strategy and policy development | 66 | 66 | 475 |
| | <hr/> 3,550 | <hr/> 3,550 | <hr/> 7,039 |

Notes to the financial statements

6 Consolidated Cost of charitable activities - grants payable

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 |
|--|--|--------------------------------------|---------------------------------|---------------------------------|
| Renaissance funding for Hub Museums | - | 36,526 | 36,526 | 27,786 |
| Renaissance Museum Development * | - | 100 | 100 | 1,120 |
| Museums Education Strategy | - | - | - | 8,677 |
| Regional Museums, Libraries & Archives Councils * | - | 353 | 353 | 3,693 |
| Regional MLAs for Renaissance Core * | 353 | - | 353 | 3,693 |
| Designation Challenge Fund | - | 285 | 285 | 883 |
| Social inclusion initiatives | 30 | 1 | 31 | 251 |
| Book Ahead | - | 16 | 16 | 2,000 |
| Other Renaissance in the Regions initiatives | - | 984 | 984 | 776 |
| Framework for the Future | 35 | - | 35 | 35 |
| Learning and skills initiatives * | 54 | 499 | 553 | 2,061 |
| 24 Hour Museum | 173 | - | 173 | 173 |
| Portable Antiquities Scheme | 312 | 1,025 | 1,337 | 1,210 |
| PRISM Purchase Grant Fund | 282 | - | 282 | 136 |
| V&A Purchase Grant Fund | 1,020 | - | 1,020 | 983 |
| MDA revenue grant | - | - | - | 237 |
| Workforce development | - | - | - | 433 |
| Archive sector development | 10 | - | 10 | 83 |
| Community Library | 8 | - | 8 | - |
| Creative & Culture Skills | 90 | - | 90 | - |
| Museum of British History | 15 | - | 15 | - |
| Research initiatives | - | - | - | (34) |
| Collections management | 387 | - | 387 | 5 |
| Information and communications technology initiatives | 251 | - | 251 | 336 |
| Big Lottery Fund: Their Past Your Future Phase 2 * | - | 528 | 528 | 337 |
| 2012 Initiatives | - | 24 | 24 | 13 |
| Clore Foundation | 105 | - | 105 | - |
| Living Places * | - | 9 | 9 | - |
| Corporate Subscriptions | 183 | - | 183 | - |
| National Council Archives | 78 | - | 78 | - |
| The British Council | 5 | - | 5 | - |
| Innovative Project Management | 48 | - | 48 | - |
| Policy & Sustainability | 24 | - | 24 | - |
| Sundry small grants | 34 | - | 34 | - |
| Additional funding for Regional MLAs closure costs * | 11 | - | 11 | - |
| Sustainable Communities | - | - | - | 20 |
| Grants paid by subsidiaries | - | 1,426 | 1,426 | - |
| Total Consolidated – Grants payable | 3,508 | 41,776 | 45,284 | 54,907 |
| Grants paid to Regional MLAs included in * items | - | - | - | 10,404 |
| Grants made to third parties | 3,508 | 41,776 | 45,284 | 44,503 |

Notes to the financial statements

6 Company Cost of charitable activities - grants payable

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Total funds 2008 £'000 |
|--|--|--------------------------------------|---------------------------------|---------------------------------|
| Renaissance funding for Hub Museums | - | 36,526 | 36,526 | 27,786 |
| Renaissance Museum Development * | - | 1,139 | 1,139 | 1,120 |
| Museums Education Strategy | - | - | - | 8,677 |
| Regional Museums, Libraries & Archives Councils * | - | 2,500 | 2,500 | 3,693 |
| Regional MLAs for Renaissance Core * | 2,500 | - | 2,500 | 3,693 |
| Designation Challenge Fund | - | 285 | 285 | 883 |
| Social inclusion initiatives | 30 | 1 | 31 | 251 |
| Book Ahead | - | 16 | 16 | 2,000 |
| Other Renaissance in the Regions initiatives | - | 984 | 984 | 776 |
| Framework for the Future | 35 | - | 35 | 35 |
| Learning and skills initiatives * | 54 | 1,980 | 2,034 | 2,061 |
| 24 Hour Museum | 173 | - | 173 | 173 |
| Portable Antiquities Scheme | 312 | 1,025 | 1,337 | 1,210 |
| PRISM Purchase Grant Fund | 282 | - | 282 | 136 |
| V&A Purchase Grant Fund | 1,020 | - | 1,020 | 983 |
| MDA revenue grant | - | - | - | 237 |
| Workforce development | - | - | - | 433 |
| Archive sector development | 10 | - | 10 | 83 |
| Community Library | 8 | - | 8 | - |
| Creative & Culture Skills | 90 | - | 90 | - |
| Museum of British History | 15 | - | 15 | - |
| Research initiatives | - | - | - | (34) |
| Collections management | 387 | - | 387 | 5 |
| Information and communications technology initiatives | 251 | - | 251 | 336 |
| Big Lottery Fund: Their Past Your Future Phase 2 * | - | 607 | 607 | 337 |
| 2012 Initiatives | - | 24 | 24 | 13 |
| Clore Foundation | 105 | - | 105 | - |
| Living Places * | - | 89 | 89 | - |
| Corporate Subscriptions | 183 | - | 183 | - |
| National Council Archives | 78 | - | 78 | - |
| The British Council | 5 | - | 5 | - |
| Innovative Project Management | 48 | - | 48 | - |
| Policy & Sustainability | 24 | - | 24 | - |
| Sundry small grants | 34 | - | 34 | - |
| Additional funding for Regional MLAs closure costs * | 117 | - | 117 | - |
| Sustainable Communities | - | - | - | 20 |
| Total Company – Grants payable | 5,761 | 45,176 | 50,937 | 54,907 |
| Grants paid to Regional MLAs included in * items | 2,253 | 4,826 | 7,079 | 10,404 |
| Grants made to third parties | 3,508 | 40,350 | 43,858 | 44,503 |

No grants have been made to individuals.

Notes to the financial statements**6 Company Cost of charitable activities - grants payable - continued**

During the year and in the light of the recent growth in MLA activities, a review was initiated to ensure that liabilities were correct and not overstated. During this review, which is continuing in the current year, some liabilities were found to be based on original requests which had been over-estimated, or for requests which did not ultimately meet the required objectives. These amounts are not considered to be material, and have been credited back to the funds from which the originating grants were originally made.

7 Consolidated Cost of charitable activities

| For 2009 | Participation £'000 | Advocacy £'000 | Excellence £'000 | Leadership £'000 | Total £'000 |
|--|------------------------|-------------------|---------------------|---------------------|------------------------|
| Staff costs (note 10 & 8) | 2,480 | 1,742 | 2,659 | 1,596 | 8,477 |
| Consultancies, professional fees and subscriptions | 698 | 514 | 864 | 1,041 | 3,117 |
| Other costs | 1,140 | 1,076 | 1,210 | 788 | 4,214 |
| Depreciation (note 14) | 65 | 17 | 36 | 14 | 132 |
| | 4,383 | 3,349 | 4,769 | 3,439 | 15,940 |
| Grants payable (note 6) | 27,351 | 2,946 | 13,308 | 1,679 | 45,284 |
| | 31,734 | 6,295 | 18,077 | 5,118 | 61,224 |

Other costs include exceptional items.

Company cost of charitable activities

| For 2009 | Participation £'000 | Advocacy £'000 | Excellence £'000 | Leadership £'000 | Total £'000 |
|--|------------------------|-------------------|---------------------|---------------------|------------------------|
| Staff costs (note 10 & 8) | 1,244 | 714 | 1,753 | 664 | 4,375 |
| Consultancies, professional fees and subscriptions | 78 | - | 409 | 575 | 1,062 |
| Other costs | 666 | 682 | 866 | 434 | 2,648 |
| Depreciation (note 14) | 56 | 12 | 31 | 8 | 107 |
| | 2,044 | 1,408 | 3,059 | 1,681 | 8,192 |
| Grants payable (note 6) | 29,051 | 4,365 | 14,556 | 2,965 | 50,937 |
| | 31,095 | 5,773 | 17,615 | 4,646 | 59,129 |

Other costs include exceptional items.

Notes to the financial statements

7 Consolidated Cost of charitable activities - continued

2008 Company

| | Participation £'000 | Advocacy £'000 | Excellence £'000 | Leadership £'000 | Total £'000 |
|--|------------------------|-------------------|---------------------|---------------------|------------------------|
| Staff costs (note 10) | 1,353 | 815 | 1,799 | 671 | 4,638 |
| Consultancies, professional fees and subscriptions | 217 | 166 | 967 | 310 | 1,660 |
| Other costs | 1,704 | 1,130 | 1,441 | 664 | 4,939 |
| Depreciation (note 14) | 30 | 6 | 17 | 5 | 58 |
| | 3,304 | 2,117 | 4,224 | 1,650 | 11,295 |
| Grants payable (note 6) | 31,838 | 4,804 | 15,198 | 3,068 | 54,908 |
| | 35,142 | 6,921 | 19,422 | 4,718 | 66,203 |

8 Governance costs

| | Consolidation 2009 £'000 | Company 2009 £'000 | Company 2008 £'000 |
|---|---|-----------------------------------|--------------------------|
| Staff costs (including remuneration of Chair) | 88 | 44 | 38 |
| Audit and legal fees | 222 | 102 | 58 |
| Other costs | 45 | 20 | 12 |
| Total Governance Costs | 355 | 166 | 108 |

9 VAT Recoverable

VAT amounting to £42,437 (2008: £24,000) was recovered during the year. This has been offset against relevant expenditure.

10 Staff costs

| | Consolidation 2009 £'000 | Company 2009 £'000 | Company 2008 £'000 |
|--------------------------|---|-----------------------------------|--------------------------|
| Wages and salaries | 5,717 | 3,054 | 3,004 |
| Social security costs | 468 | 262 | 268 |
| Pension costs | 1,825 | 611 | 606 |
| Temporary staff | 555 | 491 | 760 |
| Total Staff Costs | 8,565 | 4,418 | 4,638 |

Notes to the financial statements

10 Staff costs - continued

The following numbers of employees (including the Chief Executive) received remuneration excluding pension contributions within the following ranges:

| | Consolidation 2009 | Company 2009 | Company 2008 |
|----------------------|-------------------------------|-------------------------|-----------------|
| £130,000 to £139,999 | 1 | 1 | 1 |
| £110,000 to £119,999 | 0 | 0 | 1 |
| £90,000 to £99,999 | 2 | 1 | 1 |
| £80,000 to £89,999 | 2 | 1 | 3 |
| £70,000 to £79,999 | 2 | 1 | 1 |
| £60,000 to £69,999 | 4 | 1 | 5 |

Pension contributions for these employees amounted to £144,000

The average number of full time equivalent company employees, analysed by function, was:

| | 2009 | 2008 |
|--|-------------|-----------|
| Chief Executive's/Chairman's unit | 3 | 5 |
| Corporate Services | 17 | 10 |
| Digital Futures | - | 6 |
| Communications & Development / External Relations | 5 | 8 |
| Learning, Access, Audience Development, Renaissance, Regions and International | 12 | 20 |
| Policy & Sustainability | 15 | - |
| Programme Delivery / Collections, Workforce & Standards | 10 | 16 |
| Acquisitions, Exports and Loans Unit | 10 | 12 |
| Total | <u>72</u> | <u>77</u> |
| Temporary staff in full time equivalents | 10 | 6 |

In both 2008/09 and the prior year all but one of the company employees was accruing benefits under the defined benefits pension scheme described in note 1h.

11 Chairman's and senior managers' emoluments

Full details of senior managers' remuneration are included in the Remuneration Report on page 18

12 Net (outgoing)/incoming resources before transfers

The decrease in resources of £20,703k (consolidation) and £17,733k (company) (2008: £1,506k) are stated after charging:

| | Consolidation 2009 | Company 2009 | Company 2008 |
|---|-------------------------------|-------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Depreciation charged – owned assets (note 14) | 131 | 106 | 57 |
| Auditors' remuneration – fees for external audit services | 125 | 93 | 34 |
| – fees for internal audit services | 9 | 9 | 13 |
| Operating Lease Rentals (other) | 405 | 326 | 353 |

Notes to the financial statements

13 Subsidiary companies and their activities

On 1 April 2008, MLA effectively gained control (by dominant influence) over the following companies as part of the major restructuring initiative of national activities for Museums Libraries and Archives.

Museums, Libraries and Archives Council, East of England
 Museums, Libraries and Archives East Midlands
 Museums, Libraries and Archives North East
 Museums, Libraries and Archives North West
 Museums, Libraries and Archives South East
 Museums, Libraries and Archives South West
 MLA West Midlands: The Regional Council for Museums Libraries and Archives
 Museums, Libraries and Archives Yorkshire

These companies' summarised results and balance sheets are shown below.

Total income and expenditure

| | Income £'000 | Expenditure £'000 | Net £'000 | Funds b/f £'000 | Funds c/f £'000 |
|---------------------|-----------------|----------------------|--------------|--------------------|--------------------|
| MLA East of England | 1,241 | 1,507 | (266) | 283 | 17 |
| MLA East Midlands | 2,550 | 2,998 | (448) | 467 | 19 |
| MLA North East | 1,625 | 2,134 | (509) | 667 | 158 |
| MLA North West | 5,287 | 5,863 | (576) | 601 | 26 |
| MLA South East | 1,912 | 3,346 | (1,434) | 1,740 | 306 |
| MLA South West | 5,057 | 5,040 | 17 | 59 | 76 |
| MLA West Midlands | 1,686 | 1,488 | 198 | (63) | 135 |
| MLA Yorkshire | 1,571 | 1,522 | 49 | (39) | 10 |

Summarised balance sheets

| | Current assets £'000 | Current liabilities £'000 | Provisions for pension exit charges £'000 | Provisions for other closure costs £'000 | Net £'000 |
|---------------------|----------------------------|---------------------------------|--|---|--------------|
| MLA East of England | 782 | 18 | 700 | 47 | 17 |
| MLA East Midlands | 2,001 | 263 | 1,700 | 20 | 19 |
| MLA North East | 819 | 21 | 640 | - | 158 |
| MLA North West | 4,649 | 23 | 4,600 | - | 26 |
| MLA South East | 2,129 | 59 | 1,750 | 14 | 306 |
| MLA South West | 4,899 | 18 | 4,600 | 205 | 76 |
| MLA West Midlands | 1,417 | 132 | 1,150 | - | 135 |
| MLA Yorkshire | 1,397 | 237 | 1,150 | - | 10 |
| Total | | | <u>16,290</u> | | |

Financial support provided by the MLA

The MLA has given undertakings to each of the subsidiaries that it will provide financial support by way of additional grant funding in order to enable them to fully discharge their outstanding liabilities. This will enable the subsidiaries to commence members' voluntary winding up processes in due course. At the 31 March 2009 the value of these undertakings has been established as that necessary to ensure that each subsidiary has positive unrestricted reserves and included as a debtor within current assets.

Notes to the financial statements**13 Subsidiary companies and their activities – continued**

The debtors in each subsidiary reflecting this financial support are listed below:

| | £'000 |
|---------------------|---------------|
| MLA East of England | 350 |
| MLA East Midlands | 1,390 |
| MLA North East | 765 |
| MLA North West | 4,336 |
| MLA South East | 722 |
| MLA South West | 3,820 |
| MLA West Midlands | 620 |
| MLA Yorkshire | 700 |
| Total | 12,703 |

14 Consolidation**14a Consolidation - Tangible fixed assets**

| Cost | Fixtures & Equipment £'000 | Leasehold Improvements £'000 | Total Consolidation £'000 |
|---------------------------------|---|---|--|
| At 01 April 2008 | 457 | - | 457 |
| Additions | 277 | 425 | 702 |
| Subsidiaries' assets | 740 | 134 | 874 |
| Disposals | (592) | (103) | (695) |
| At 31 March 2009 | 882 | 456 | 1,338 |
| Accumulated depreciation | | | |
| At 01 April 2008 | 374 | - | 374 |
| Subsidiaries' assets | 585 | 113 | 698 |
| Charge for the year | 96 | 35 | 131 |
| Disposals | (451) | (92) | (543) |
| At 31 March 2009 | 604 | 56 | 660 |
| Net book value at 31 March 2009 | 278 | 400 | 678 |
| Net book value at 31 March 2008 | 83 | - | 83 |

The net book value at 31 March 2009 represents fixed assets used for charitable activities.

Notes to the financial statements

14b Company - Tangible fixed assets

| Cost | Fixtures & Equipment £'000 | Leasehold Improvements £'000 | Total Company £'000 |
|---------------------------------|---|---|--------------------------------|
| At 01 April 2008 | 457 | - | 457 |
| Additions | 276 | 425 | 701 |
| Disposals | - | - | - |
| At 31 March 2009 | 733 | 425 | 1,158 |
| Accumulated depreciation | | | |
| At 01 April 2008 | 374 | - | 374 |
| Charge for the year | 81 | 25 | 106 |
| Disposals | - | - | - |
| At 31 March 2009 | 455 | 25 | 480 |
| Net book value at 31 March 2009 | 278 | 400 | 678 |
| Net book value at 31 March 2008 | 83 | - | 83 |

The net book value at 31 March 2009 represents fixed assets used for charitable activities.

15 Debtors

| | Consolidation 2009 £'000 | Company 2009 £'000 | Company 2008 £'000 |
|--|---|-----------------------------------|-----------------------------------|
| Trade debtors | 45 | 0 | 18 |
| Other central government bodies | 90 | 90 | 112 |
| Regional Museums, Libraries and Archives Councils | - | 154 | 744 |
| Prepayments and accrued income | 348 | 318 | 204 |
| Other debtors including taxation and social security | 521 | 476 | 15 |
| | 1,004 | 1,038 | 1,093 |

16 Creditors – amounts falling due within one year

| | Consolidation 2009 £'000 | Company 2009 £'000 | Company 2008 £'000 (as restated) |
|---|---|-----------------------------------|---|
| Bank overdraft | 9 | - | - |
| Grant and other accruals | 9,059 | 8,747 | 5,746 |
| Deferred income (see note 17) | 104 | 104 | 313 |
| Trade creditors | 1,755 | 1,545 | 489 |
| Other creditors including tax and social security | 401 | 346 | 135 |
| Amounts due to Regional MLAs (see note below) | - | 12,703 | - |
| Amounts due to DCMS relating to Grant-in-aid | 15,480 | 15,480 | 3,121 |
| | 26,808 | 38,925 | 9,804 |

The amounts due to Regional MLAs, totalling £12,703k, relate to the commitments given by MLA to each of the subsidiaries to provide additional financial support in order for them to settle their pension liabilities. This liability is based on the pension liability provisions recognised in the subsidiary accounts.

In respect of 2008, an amount of £757k originally included in "Grant and other accruals" has been reclassified as a provision. The prior year adjustment relates to amounts due to DCMS relating to grant-in-aid drawn down in advance of need (see Note 31).

Notes to the financial statements

17 Deferred income

| | Consolidation | Company | Company |
|--------------------------------|----------------------|----------------|------------|
| | 2009 | 2009 | 2008 |
| | £'000 | £'000 | £'000 |
| Opening balance as at 1 April | 313 | 313 | 294 |
| Deferred in current year | 23 | 23 | 206 |
| Released from previous year | (232) | (232) | (187) |
| Closing balance as at 31 March | <u>104</u> | <u>104</u> | <u>313</u> |

18 Creditors – amounts falling due after one year

In prior years, a value was ascribed to creditor balances known to be payable over one year in advance. However, due to the uncertainties of the precise amounts payable, these creditors have now been reclassified as provisions, and are included in Note 19 below. In 2008, this figure amounted to £333,000. See note 31.

19 Provisions for liabilities and charges - Consolidation

| | Restructuring | Redundancy/ early retirement | Pension Liabilities | Total |
|--|---------------|---------------------------------|------------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance brought forward as originally stated | 80 | 1,640 | - | 1,720 |
| Reclassified from creditors < one year | - | 757 | - | 757 |
| Reclassified from creditors > one year | - | 333 | - | 333 |
| Restated opening balance | <u>80</u> | <u>2,730</u> | <u>-</u> | <u>2,810</u> |
| Balances transferred from subsidiaries | 495 | 721 | 2,362 | 3,578 |
| Charged/released during the year | 9 | (128) | 13,928 | 13,809 |
| Utilised during the year | (319) | (2,357) | - | (2,676) |
| Balance carried forward | <u>265</u> | <u>966</u> | <u>16,290</u> | <u>17,521</u> |

Provisions for liabilities and charges – Company

| | Restructuring | Redundancy/ early retirement | Pension Liabilities | Total |
|--|---------------|---------------------------------|------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance brought forward as originally stated | 80 | 1,640 | - | 1,720 |
| Reclassified from creditors <1 year | - | 757 | - | 757 |
| Reclassified from creditors > one year | - | 333 | - | 333 |
| Restated opening balance | <u>80</u> | <u>2,730</u> | <u>-</u> | <u>2,810</u> |
| Charged/released during the year | - | (128) | - | (128) |
| Utilised during the year | (80) | (1,656) | - | (1,736) |
| Balance carried forward | <u>-</u> | <u>946</u> | <u>-</u> | <u>946</u> |

20 Financial commitments

At 31 March 2009 the Museums, Libraries and Archives Council had annual commitments under operating leases for Land and Buildings as follows:

| | Consolidation | Company | Company |
|-------------------------------------|----------------------|----------------|------------|
| | 2009 | 2009 | 2008 |
| | £'000 | £'000 | £'000 |
| Expiring between two and five years | 71 | - | - |
| Expiring between five to ten years | 226 | 226 | 353 |
| Total | <u>297</u> | <u>226</u> | <u>353</u> |

Notes to the financial statements

21 Statement of funds

Consolidated Statement of funds

| | 1 April 2008 (restated) £'000 | Funds from subsidiaries £'000 | Income £'000 | Expenditure £'000 | Transfers £'000 | 31 March 2009 £'000 |
|---|--|-------------------------------------|-----------------|----------------------|--------------------|------------------------------|
| Restricted Funds | | | | | | |
| Renaissance (restated – note 31) | - | 488 | 39,474 | 45,175 | 265 | (4,948) |
| Strategic Commissioning (restated – note 31) | - | 442 | 2,256 | 2,326 | 40 | 412 |
| Book Ahead | - | - | 174 | 174 | - | - |
| Education Challenge Fund | 18 | - | - | - | - | 18 |
| LASSI | 22 | - | - | - | - | 22 |
| Gates Foundation | 83 | - | 4 | - | - | 87 |
| Entitle | - | - | 8 | - | - | 8 |
| University for Industry Michael | 14 | - | - | - | - | 14 |
| Michael Plus | - | - | 25 | 31 | - | (6) |
| Bricks | - | - | 14 | 7 | - | 7 |
| Their Past Your Future 2012 | - | - | 29 | - | - | 29 |
| Living Places | - | 31 | 725 | 616 | - | 140 |
| Controversial Stock | - | - | 23 | 25 | 1 | (1) |
| Fixed asset reserve | 78 | - | 306 | 306 | 2 | 80 |
| EE specific funds | - | - | 26 | 31 | - | (5) |
| EE regional funds | 83 | - | - | - | 595 | 678 |
| EM specific funds | - | (3) | 11 | 7 | (2) | (1) |
| EM regional funds | - | 206 | 35 | 855 | 620 | 6 |
| NE specific funds | - | 132 | 254 | 370 | - | 16 |
| NE regional funds | - | 318 | 49 | 2,049 | 1,684 | 2 |
| NW specific funds | - | 159 | 34 | 99 | 4 | 98 |
| NW regional funds | - | 436 | 70 | 1,552 | 1,048 | 2 |
| SE specific funds | - | 41 | 5 | - | (46) | - |
| SE regional funds | - | 472 | 6 | 5,138 | 4,662 | 2 |
| SW specific funds | - | 236 | - | 124 | (113) | (1) |
| SW regional funds | - | 928 | 110 | 2,195 | 1,158 | 1 |
| WM specific funds | - | 8 | 135 | 126 | (8) | 9 |
| WM regional funds | - | 41 | 119 | 4,247 | 4,089 | 2 |
| Yorkshire specific funds | - | 20 | 158 | 132 | 17 | 63 |
| Yorkshire regional funds | - | (200) | 38 | 437 | 604 | 5 |
| Total restricted funds | 298 | 3,717 | 44,162 | 66,981 | 15,551 | (3,253) |
| Unrestricted funds | | | | | | |
| Base reserve (restated) | - | - | - | - | - | - |
| General funds (restated) | - | - | 11,201 | 9,085 | (15,551) | (13,435) |
| Total unrestricted funds | - | - | 11,201 | 9,085 | (15,551) | (13,435) |
| Total all funds | 298 | 3,717 | 55,363 | 76,066 | - | (16,688) |

Transfers between Unrestricted and Restricted funds arise from the MLA providing support to subsidiary companies in order that they have the resources to meet their liabilities. Further information is provided at Note 13.

Notes to the financial statements**21 Statement of funds - continued****Company Statement of funds**

| | 01 April 2008 £'000 | Income £'000 | Expenditure £'000 | Transfers £'000 | 31 March 2009 £'000 |
|---|---------------------------|-----------------|----------------------|--------------------|---------------------------|
| Restricted Funds | | | | | |
| Renaissance (restated – note 31) | - | 39,474 | 44,508 | - | (5,034) |
| Strategic Commissioning (restated – note 31) | - | 2,257 | 2,197 | - | 60 |
| Book Ahead | - | 174 | 174 | - | - |
| Education Challenge Fund | 18 | - | - | - | 18 |
| LASSI | 22 | - | - | - | 22 |
| Gates Foundation | 83 | 4 | - | - | 87 |
| Entitle | - | 8 | - | - | 8 |
| University for Industry Michael | 14 | - | - | - | 14 |
| Michael Plus | - | 25 | 31 | - | (6) |
| Bricks | - | 14 | 7 | - | 7 |
| Their Past Your Future 2012 | - | 28 | - | - | 28 |
| Living Places | - | 725 | 640 | - | 85 |
| Controversial Stock | - | 23 | 25 | - | (2) |
| Fixed asset reserve | 78 | 306 | 344 | - | 40 |
| | - | 26 | 31 | - | (5) |
| | 83 | - | - | 595 | 678 |
| Total restricted funds | 298 | 43,064 | 47,957 | 595 | (4,000) |
| Unrestricted funds | | | | | |
| Base reserve (restated) | - | - | - | - | - |
| General funds (restated) | - | 11,201 | 24,041 | (595) | (13,435) |
| Total unrestricted funds | - | 11,201 | 24,041 | (595) | (13,435) |
| Total all funds | 298 | 54,265 | 71,998 | - | (17,435) |

Funds received from DCMS, other Government Departments, Lottery Funds, the European Union and charitable trusts are restricted by the terms of the award to specific purposes. These elements are accounted for within individual restricted funds named to reflect the purposes to which they have been dedicated. Such incoming resources continue to be accounted for in restricted funds until they have been fully applied in accordance with the terms of their award, repaid to the donor or the donor explicitly withdraws the restriction on the use of the funds not yet applied.

Incoming resources which are applied on the acquisition or improvement of fixed assets are accounted for in the restricted fund, fixed asset reserve. The depreciation and any losses on disposal of fixed assets are charged to unrestricted funds but a transfer is made each year from the fixed asset reserve to unrestricted funds in the amount of the depreciation and losses on disposal charged. The fixed asset reserve thus matches the net book value of fixed assets.

The financial statements show net outgoing resources of £20,703k, net liabilities of £16,688k and a deficit on unrestricted funds of £13,435k because of the substantial provision balance of £16,290k in respect of the pension fund exit charges (see note 19).

Notes to the financial statements

21 Statement of funds - continued

DCMS has given assurances to the Trustees that Grant in Aid funding will be provided in future years in order to meet liabilities, including the exit charges for regional agency pension schemes, as they fall due. The Trustees are of the opinion that in the light of the assurances provided by DCMS the MLA is a going concern and the financial statements have been prepared on that basis. See Note 1 Accounting Policies for more information.

Analysis of Consolidated net assets between funds

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total funds 2009 £'000 | Company 2008 (restated) £'000 |
|--|--|--------------------------------------|---|--|
| Fund balances at 31 March 2009 are represented by: | | | | |
| Tangible fixed assets | - | 678 | 678 | 83 |
| Current assets | 9,588 | 17,375 | 26,963 | 12,829 |
| Current liabilities | (22,077) | (4,731) | (26,808) | (9,804) |
| Provisions for liabilities and charges | (946) | (16,575) | (17,521) | (2,810) |
| Total net assets | <u>(13,435)</u> | <u>(3,253)</u> | <u>(16,688)</u> | <u>298</u> |

Analysis of Company net assets between funds

| | Unrestricted funds 2009 £'000 | Restricted funds 2009 £'000 | Total Funds 2009 £'000 | Company 2008 (restated) £'000 |
|--|--|--------------------------------------|---|--|
| Fund balances at 31 March 2009 are represented by: | | | | |
| Tangible fixed assets | - | 678 | 678 | 83 |
| Current assets | 9,588 | 12,170 | 21,758 | 12,829 |
| Current liabilities | (22,077) | (16,848) | (38,925) | (9,804) |
| Provisions for liabilities and charges | (946) | - | (946) | (2,810) |
| Total net assets | <u>(13,435)</u> | <u>(4,000)</u> | <u>(17,435)</u> | <u>298</u> |

22 Notional cost of capital

This is calculated as 3.5% on average funds where positive reserves are held.

23 VAT, Income and Corporation Taxes

MLA is VAT registered but is only able to recover VAT incurred on or attributable to its very limited business activities using apportionment methods agreed with HMRC. VAT inclusive costs are charged against the relevant charitable activity. MLA is accepted by the HM Revenue and Customs as a charity for tax purposes and is accordingly exempt from Income and Corporation Tax.

Notes to the financial statements

24 Cash flow information

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

| | Consolidation 2009 | Company 2009 | Company 2008 (restated) |
|---|-------------------------------|-------------------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| Net (outgoing)/incoming resources | (20,703) | (17,733) | (1,506) |
| Reserves on acquisition of subsidiaries | 3,717 | - | - |
| Interest received (note 3) | (1,172) | (869) | (859) |
| Depreciation (note 14) | 131 | 106 | 57 |
| (Increase)/decrease in debtors | 89 | 55 | (274) |
| Increase/(decrease) in creditors | 17,004 | 29,121 | 2,177 |
| Increase/(decrease) in provisions for liabilities and charges | 14,711 | (1,864) | 2,810 |
| Net cash inflow/(outflow) from operating activities | 13,777 | 8,816 | 2,405 |

b) Analysis of cash flows

| | Consolidation 2009 | Company 2009 | Company 2008 |
|---|-------------------------------|-------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | (878) | (701) | (82) |
| Proceeds from disposal of assets | 152 | - | - |
| | (726) | (701) | (82) |

Returns on investments:

| | | | |
|-------------------|-------|-----|-----|
| Interest received | 1,172 | 869 | 859 |
|-------------------|-------|-----|-----|

c) Reconciliation of net cash flow to movement in net funds and analysis of net funds

| | Consolidation 2009 | Company 2009 | Company 2008 |
|---|-------------------------------|-------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| Increase/(decrease) in cash and movement in net funds | 14,223 | 8,984 | 3,182 |
| Net funds at 01 April 2008/2007 | 11,736 | 11,736 | 8,554 |
| Net funds at 31 March 2009/2008 | 25,959 | 20,720 | 11,736 |

d) Movement in cash

| | At 01 April 2008 | Cash flow | At 31 March 2009 |
|--|---------------------|-----------|---------------------|
| | £'000 | £'000 | £'000 |
| Consolidation - Cash at bank and short term deposits | 11,736 | 14,223 | 25,959 |
| Company - Cash at bank | 11,736 | 8,984 | 20,720 |

Notes to the financial statements

25 Related party transactions

The MLA is an executive Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party and details of all funding provided by DCMS are disclosed in notes 2 and 4.

During the year, the MLA had a number of material transactions with other bodies sponsored by DCMS. All these transactions were conducted in the normal course of business and at full arm's length. The following DCMS sponsored bodies were awarded grants by the MLA:

| | |
|-----------------|--|
| British Museum | Museum of London |
| Geffrye Museum | Museum of Science and Industry in Manchester |
| Horniman Museum | |

Arts Council England and The Big Lottery Fund awarded grants to the MLA details of which are included in note 4.

The following Trustees and key managerial staff are involved in organisations which were awarded grants by the MLA as listed below. The MLA has procedures in place to ensure that Trustees and key managerial staff play no part in decisions on the award of grants to organisations with which they are involved.

| Trustee | Position | Organisation | Grant £'000 | Creditors £'000 |
|---------------|---|--|----------------|--------------------|
| Geoffrey Bond | Chairman | MLA London | 1,267 | 16 |
| Nick Dodd | Chief Executive | Sheffield Galleries and Museums Trust | 3,563 | 17 |
| Yinnon Ezra | Director of Recreation and Heritage | Hampshire County Council | 4,787 | 50 |
| Glen Lawes | Advisor | Ironbridge Gorge Museum Trust | 1,014 | 62 |

| Senior Manager | Position | Name, relationship & related party entity | Grant £'000 | Creditors £'000 |
|----------------|--|---|----------------|--------------------|
| Jon Finch | Director of Engagement Team West | Mrs Julie Finch (wife) Head of Museums and Archives for Bristol City Museum & Art Gallery | 4,734 | 1,408 |

During the year, Sara Selwood, provided consultancy services valued at £15k before she resigned as a trustee on 10 June 2008. The contract for these services was approved by the Board in November 2007. She continued to provide consultancy services after her resignation.

26 Grants payable

A full list of all grants paid in the year ended 31 March 2009 can be found on the MLA website at www.mla.gov.uk

Notes to the financial statements

27 Financial instruments

MLA's use of Financial Instruments is as described below.

Liquidity Risk

The MLA is substantially (94%) funded by Grant in Aid from the Department for Culture Media and Sport which is awarded for the current and between one and three forward years. MLA is thus not seriously exposed to sudden fluctuations in income.

Long Term Investments

No long term investments are held.

Interest Rate Risk

As at 31 March 2009, MLA held £20,720k (2008: £11,736k) in cash and bank deposits, of which £20,720k (2008: £11,736k) was held at floating rates, and the remainder in cash. MLA is therefore not exposed to significant interest rate risk.

Foreign Currency Risk

MLA is not exposed to foreign currency risk.

28 Contingent liabilities

There are no contingent liabilities as at 31 March 2009 (2008: nil)

29 Post Balance Sheet Events

There are no unadjusted post balance sheet events.

Since the Balance Sheet date the MLA has entered into discussions with DCMS concerning the interest earned in prior years on cash balances that arose as Grant in Aid had been drawn down in advance of need. It is possible that future Grant in Aid settlements may be adjusted in order to reflect, in whole or in part, the interest received.

30 Exceptional costs

| | 2009 Consolidation £'000 | 2009 Company £'000 | 2008 Company £'000 |
|-------------------|---|---|--------------------------|
| Exceptional costs | 14,487 | 12,703 | - |

The exceptional costs disclosed separately on the face of the Statement of Financial Activities relate to the provision made in year in respect of pension liabilities. The eight regional Museums, Libraries and Archives Councils have wound down their activities and recognised provisions in year, totalling £14,487k, in respect of the expected exit charges from the local government pension schemes.

The MLA has given undertakings to each of the subsidiaries to provide additional financial support in order for them to settle these liabilities. MLA has recognised a creditor in year of the total value of this commitment, £12,703k, calculated based on the provision.

Each of the eight regional MLAs recognised their share of these costs as debtors (see note 13). These amounts have been eliminated on consolidation.

Notes to the financial statements

31 Prior year adjustment and Reclassifications

The prior year adjustments and reclassifications from last year are summarised below.

| | Previously published balance sheet | Prior year adjustment | Reclassified | Restated balance sheet at 1 April 2008 |
|---------------------------------|--|--------------------------|--------------|--|
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 83 | - | - | 83 |
| Current assets | 12,829 | - | - | 12,829 |
| Current liabilities | (7,440) | (3,121) | 757 | (9,804) |
| Long term creditors | (333) | - | 333 | - |
| Provisions | (1,720) | - | (1,090) | (2,810) |
| Net assets | 3,419 | (3,121) | - | 298 |
| Represented by reserves: | | | | |
| Renaissance | 1,610 | (1,610) | - | - |
| Strategic Commissioning | 135 | (135) | - | - |
| Other restricted funds | 298 | - | - | 298 |
| Designated funds | 1,200 | (1,200) | - | - |
| General funds | 176 | (176) | - | - |
| Charity funds | 3,419 | (3,121) | - | 298 |

The prior year adjustment relates to Grant-in-aid income from the Department of Culture, Media and Sport (DCMS). MLA and DCMS agree that cash held at 31 March 2008 was in excess of that required by MLA for its immediate cash flow needs at that time. The amount identified as being due to DCMS as at 31 March 2008 was £3,121k, and an adjustment has been made accordingly.

The reclassification relates to early retirement and redundancy liabilities that were incorrectly classified as short term and long term creditors in the 2007-08 financial statements. To ensure consistency and comparability of the financial position, the relevant amounts have been reclassified as provisions.



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