

**TYNE & WEAR MUSEUMS**  
**JOINT COMMITTEE**



**TREASURER'S REPORT AND ACCOUNTS**

**2007/08**

**REPORT BY THE TREASURER TO THE  
TYNE & WEAR MUSEUMS JOINT COMMITTEE**

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## **EXPLANATORY FOREWORD BY THE TREASURER TO THE TYNE AND WEAR MUSEUMS JOINT COMMITTEE**

### **1. INTRODUCTION**

The Joint Committee manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This task is shared by all Members and Officers of the Joint Committee. The Treasurer to the Joint Committee has a particular role in ensuring sound financial stewardship.

These accounts set out the results of the Joint Committee activities for the year ended 31 March 2008 and its financial position at that date.

This statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain, which requires that the accounts present fairly the financial position of the Joint Committee. Suitable accounting policies have been employed and where necessary prudent judgements and estimates were made which complied with the Code.

The purpose of this foreword is to provide the reader with:

- a review of the Joint Committee's financial results in 2007/08 and its financial position;
- an overview of activities and significant matters which occurred during the year; and
- an understandable guide to the accounting statements.

### **2. BACKGROUND**

Eleven museums are managed by Tyne and Wear Museums (TWM) throughout Tyne and Wear, eight under the Joint Museums Agreement between the five constituent authorities of Tyne and Wear - Gateshead, Newcastle upon Tyne, North Tyneside, South Tyneside and Sunderland, and three, Segedunum Museum, Washington F Pit and the Hancock Museum, under agreements with North Tyneside Council, City of Sunderland and the University of Newcastle upon Tyne respectively.

The allocation of costs is governed by Service Level Agreements. This system has been in operation since 1991/92 and means that the constituent authorities and University pay agreed charges rather than an allocation of costs. Costs are classified under three major headings - direct, specialist and corporate.

**Direct costs** relate to the basic running costs of individual museums and galleries, including employee costs associated with running each building and visitor services personnel, premises related expenses, supplies and services and capital financing costs. Contributions to the Acquisitions Reserve and purchases of new acquisitions are also included within this heading.

**Specialist costs** relate to the provision of specialist services. This includes Archaeology, Conservation, Art, History, Learning, Communications and Design, which are allocated on the basis of the use made of the services by museums and galleries within an authority's area and the needs of the collections in each area.

**Corporate costs** are determined by TWM and financed from Grant-in-Aid from the Department for Culture, Media and Sport (DCMS).

Services include:

- The Senior Management Team.
- Museums administrative, financial and human resources staff.
- Lead Authority support services including Treasurers, Human Resources and Legal.
- Corporate training and professional development.
- Corporate accommodation at Blandford House.
- Communications of a corporate nature.
- Development.
- Outreach, Digitisation and Information Technology.

TWM is lead partner of the North East Regional Museums Hub (NERMH) and is working with Beamish Museum, The Bowes Museum and Hartlepool Museums, to utilise £3.63 million per annum of central government funding for the benefit of museum audiences in the North East during the period 2006-2008. As lead partner, TWM assumes overall responsibility for reporting on progress and expenditure for all Hub schemes. It has direct financial responsibility for both its own and the region-wide schemes operating within this funding. The TWM budget for this element of the programme is £2.34 million. Other partners assume direct responsibility for their internal schemes.

### **3. SUMMARY OF FINANCIAL RESULTS 2007/08**

The principal financial results of the year can be summarised as follows:

- Gross operating expenditure was £13,769,536 an increase of £737,787 (5.7%) over 2006/07.
- The expenditure on core activity was primarily financed by client contributions of £5,604,232 and a Grant-in-Aid (G-i-A) from the Department for Culture, Media and Sport of £1,796,017.
- In 2007/08, TWM incurred gross operating expenditure of £2,587,060 on its Hub activities which was financed primarily from Renaissance in the Regions (RinR) funding of £2,548,915 from the Museums, Libraries and Archives Council (MLA).
- The gross operating expenditure in respect of the Hancock Museum was £274,213. This was financed primarily by a University contribution of £217,589. Any shortfall of income over expenditure incurred in relation to the Hancock Museum is 100% recoverable from the University of Newcastle upon Tyne.
- Gross operating expenditure on projects was £2,208,273. This was financed by grants and income generation.
- The turnover for external trading activity in respect of shop sales, gallery hire and café franchises was £594,136 while the Archaeology Unit earned £835,697.

#### 4. INCOME AND EXPENDITURE FOR THE YEAR

Table 1 illustrates, in broad terms, where the money came from:

<b>Table 1: Where the money comes from</b>				
<b>2006/07</b>		<b>2007/08</b>		<b>Change</b>
<b>£000</b>		<b>£000</b>	<b>%</b>	<b>£000</b>
5,582	Client Contributions	5,604	39.6	22
1,842	DCMS Grant-in-Aid	1,796	12.7	(46)
2,428	MLA RinR Grant	2,549	18.0	121
1,387	Other Grants & Contributions	2,331	16.4	944
1,508	Trading Activity	1,430	10.1	(78)
521	Other Income	456	3.2	(65)
<b>£13,268</b>		<b>£14,166</b>	<b>100.0</b>	<b>898</b>

**Where the Money comes from 2007/08**

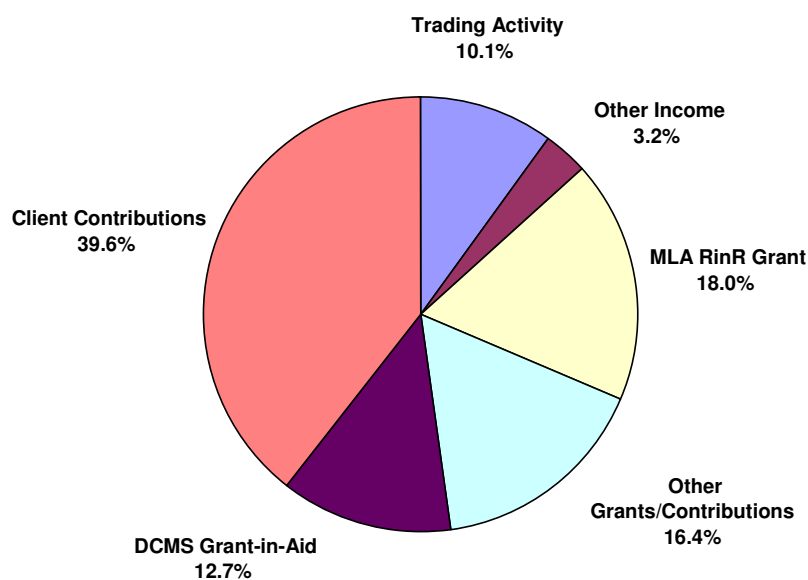
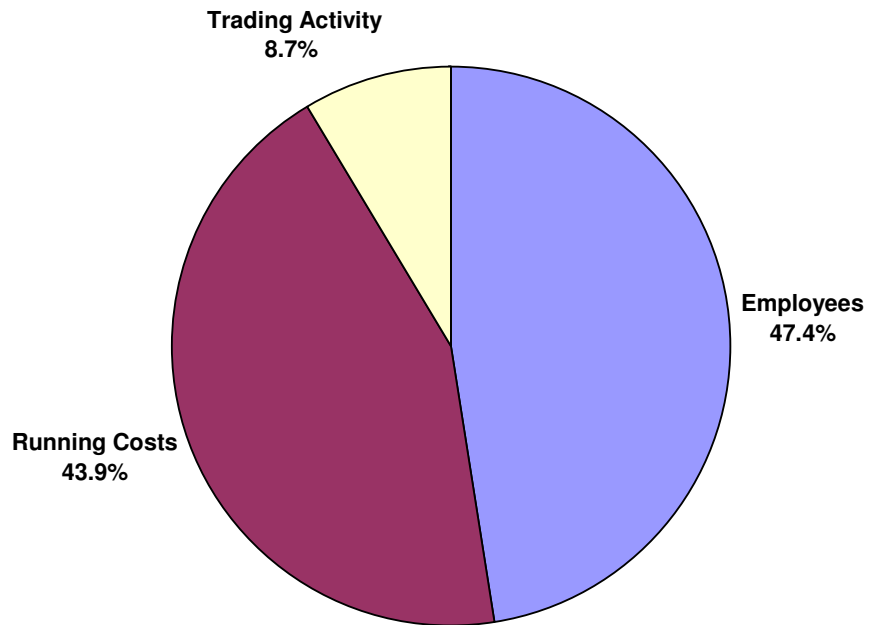


Table 2 illustrates, in broad terms, what the money was spent on:

<b>Table 2: What the money was spent on</b>				
<b>2006/07</b>		<b>2007/08</b>		<b>Change</b>
<b>£000</b>		<b>£000</b>	<b>%</b>	<b>£000</b>
6,334	Employees	6,529	47.4	195
5,549	Running Costs	6,046	43.9	497
1,149	Trading Activity	1,195	8.7	46
<b>£13,032</b>		<b>£13,770</b>	<b>100.0</b>	<b>£738</b>

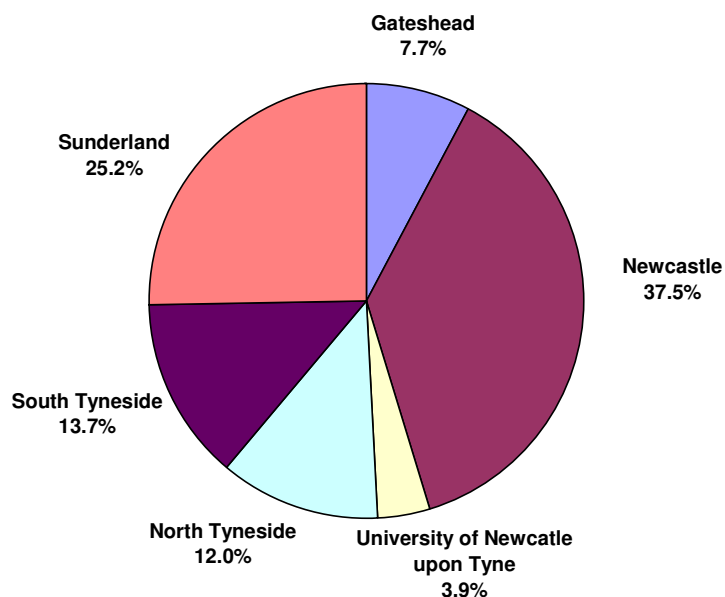
**What the Money was spent on 2007/08**



The analysis of individual client contributions is illustrated in Table 3.

<b>Table 3: Analysis of Client Contributions</b>				
<b>2006/07</b>		<b>2007/08</b>		<b>Change</b>
<b>£000</b>		<b>£000</b>	<b>%</b>	<b>£000</b>
431	Gateshead	430	7.7	(1)
2,107	Newcastle	2,104	37.5	(3)
622	North Tyneside	673	12.0	51
776	South Tyneside	767	13.7	(9)
1,423	Sunderland	1,412	25.2	(11)
223	Newcastle University	218	3.9	(5)
<b>£5,582</b>		<b>£5,604</b>	<b>100.0</b>	<b>£22</b>

**Analysis of Client Contributions 2007/08**



## **5. BUDGET COMPARISON**

The Joint Committee's revised budget for core activities in 2007/08 was £5,877,470. The final outturn of £5,472,359 represents an under spend of £405,111. The most significant factors resulting in this under spend were:

- A rate rebate resulting from the successful application for discretionary rate relief at the Laing Art Gallery. This was backdated to 1990 and resulted in a refund of £551,594. The balance of the refund that was not required to cover the outstanding rate account has been transferred to a reserve to fund a feasibility study into the Laing Art Gallery redevelopment.
- Utility savings resulting from the delivery of efficiencies through the re-negotiation with suppliers.
- Repairs and renewals managed directly by South Tyneside Council in respect of South Shields Museum and Arbeia Roman Fort.

## **6. COMPARISON WITH 2006/07**

The reduction between years in TWM's net cost of service of £183,368 (3.2%) primarily reflects successful application for discretionary rate relief at the Laing Art Gallery. In addition, efficiency savings of £201,420 enabled the client contributions to be maintained at the 2006/07 levels.

## **7. CAPITAL EXPENDITURE**

Generally TWM's capital programme and museums' capital schemes are approved and controlled by the relevant constituent authority or the University as part of its own capital programme, as they are owners of the assets. However, from 2005/06 the DCMS allocated TWM capital G-i-A towards the costs of refurbishment and renewals of buildings, plant and equipment, digitisation programmes, new joint storage schemes and the purchase of other relevant capital items'. The allocation in 2007/08 of £1,000,000 was distributed amongst TWM venues and facilitated minor refurbishment and renewals at many venues. £702,043 of the G-i-A was committed during 2007/08 but not actually spent and has been carried forward to 2008/09.

Expenditure incurred during 2007/08 included:

- Boiler replacement at Laing Art Gallery
- Contribution towards the Designs for Life gallery at Shipley Art Gallery
- Installation of gas calorifier at Discovery Museum
- Insulation and window replacement at Arbeia Roman Fort
- Upgrade to heating/air conditioning at Segedunum Roman Fort
- Gallery environmental works at Sunderland Museums and Winter Gardens
- Contribution towards Great North Museums project
- Monies earmarked for gallery refurbishment at South Shields Museum

## **8. ACCOUNTING POLICIES**

The accounting policies adopted by TWM comply with the recommended accounting practices (except where noted).

## **9. LOOKING AHEAD**

Tyne & Wear Museums remains committed to its mission and vision as articulated in its Corporate Plan.

### **9.1 Mission, Vision and Commitment**

*Our mission is to help people determine their place in the world and define their identities, so enhancing their self-respect and their respect for others.*

*Our vision for the future is for everyone in Tyne and Wear to have access to museum provision, to use this access and to value it for the significant and positive impact that it makes upon their lives. We will provide real or virtual, worldwide access to our museums and their collections.*

*Our commitment is to a World-class service that is innovative, imaginative, creative, totally inclusive, secure and sustainable.*

### **9.2 Beliefs**

TWM, through its Committee and through its officers, remains true to its stated beliefs namely that:

- We make a positive difference to people's lives.
- We inspire and challenge people to explore their world and open up new horizons.
- We are a powerful learning resource for all the community, including people of all ages, needs and backgrounds.
- We act as an agent of economic regeneration and help build and develop communities and the aspirations of individuals.
- We are fully accountable to the people of the North East.

### **9.3 Recent Performance**

#### **9.3.1 Level of usage and activity**

With the re-opening of Monkwearmouth Station Museum the annual level of visits, in person, climbed back above 1.5 million. It should be noted that during this period, the Hancock Museum (which will re-open as part of the Great North Museum in 2009), remained closed, and both the Shipley Art Gallery and South Shields Museum and Art Gallery were subject to major refurbishments, resulting in a reduction in visitor facilities and in visitors.

Following the introduction of a new website, it was necessary to install new servers and associated evaluative software, as noted in last years' statement of internal control. The initial result was that slightly different parameters were being measured and an apparent reduction in usage was recorded. Subsequently, it was possible to obtain independent verification and evaluation which enabled a direct comparison to be made with the previous year's figures and more importantly with the predicted levels of usage which were, in fact, exceeded.

Cash turnover exceeded £14 million, showing a small but above-inflation increase, reflecting another year of substantial activity supported by the MLA Renaissance programme.

### **9.3.2 Awards**

It was another successful year for awards with the most notable achievements being a gold, silver and bronze award at One North East's Regional Tourism Awards for Discovery (gold and silver for Tourism for All and Large Visitor Attraction of the Year, respectively), and Sunderland Museum and Winter Gardens for Best Family Experience.

## **9.4 Future revenue funding**

### **9.4.1 Pressures on Local Authority Budgets**

The situation is almost exactly as it was last year, in that there is likely to be intense pressure on local authority budgets, exacerbated by the implementation of the second phase of Single Status job evaluation by the lead authority (Newcastle). The results of this exercise and the degree of back-dating will inevitably impact significantly on budgets. Similarly, equal pay claims continue to be an issue for all partner authorities, and this factor is constantly under review. Efficiency savings continue to be achieved.

### **9.4.2 Comprehensive Spending Review (CSR) 2007**

There is little doubt that the outcome of CSR 2007 was much more positive for the cultural sector than many had predicted. Both DCMS clients (see below) and the Renaissance programme received inflationary rises. As a result we can expect 2.7% rises in DCMS revenue funding for the coming two years. The situation with regards to Renaissance funding is more complex: in the first place, because the rise was for the national programme and so it was necessary for MLA to proceed towards 'equalisation' across all Hub. This has resulted in a reduction of some 3.5% in the funding available for the North East Hub in the coming year. The situation beyond this is less predictable as MLA is conducting an independent review of the whole Renaissance programme. This will determine the shape and level of future investment in the programme.

### **9.4.3 External Funding Prospects**

Each year the proportion of local government contribution to the overall budget decreases as funding from external sources increases. It is with this in mind that TWM has increased its commitment and capacity with regards to securing additional funds from private sources, in particular, *net-worth* individuals. Similarly, improved donation boxes and gift-aid facilities have led to a significant increase in giving; however, this still remains a small fraction of TWM's overall income. Continued investment in these areas, together with the continued growth of the *Connecting through Culture* Business Partners scheme should continue to bear fruit.

Running contra to this optimism is the current World economic situation leading to the increasing pressure on individuals through the so-called 'credit-crunch' and associated issues. This will certainly impact on the predisposition of both individuals and companies to contribute.

A very real and immediate impact of the credit-crunch has been the reduction in house-building and development in the region and this, in turn, is resulting in a

major downturn in the amount of commercial archaeological work that is being generated. Existing contracts will sustain our Field team's work for the coming year but it will be necessary to look at diversifying into other areas of activity in the coming years.

### **9.5 Capital and Special Projects**

- Monkwearmouth Station Museum re-opened in August to great acclaim, not least, its first temporary exhibition, the Sunderland to Saigon project.
- Similarly, the Shipley Art Gallery's *Designs for Life* galleries were completed to enthusiastic reviews.
- The external aspect of the Stephenson Railway Museum has been improved and further works are planned in the coming year.
- The Great North Museum developments continue, apace, with both the main site and the off-site storage at Discovery due to become fully operational in 2009.
- Before this, South Shields Museum and Art Gallery's new local history gallery and cafe will be completed as part of the *Changing Faces* project.
- The next series of capital projects include the *Henry Rothschild Study Centre* at the Shipley Art Gallery for which the funding is substantively in place, and *Creative Spirits* – a new gallery at the Laing Art Gallery to replace the Art on Tyneside gallery, for which funding is being sought.
- Meanwhile, the *Culture Shock* and *Imagine a Nation* projects, for which funding was secured last year, are now underway.

### **9.6 Future Capital Funds**

Capital funding is increasingly hard to secure. This year has seen the implementation of the Heritage Lottery Funds SP3 phase which will result in less funding and less large grants, both nationally and regionally. In addition, following the troubles at Northern Rock, the Northern Rock Foundation closed the culture strand of its grants programme. Meanwhile, this is the last year of major European Structural Funding for the UK.

On a positive note, DCMS has confirmed a capital investment in our work of £3.5 million over the next three years, but in these contexts, the need to develop external funding sources is increasingly important as noted, above.

### **9.7 The Importance of Maintaining Cash Limits**

In the light of the comments above, it has become increasingly important to establish a realistic reserves sum and maintain the ability to earmark balances for both future developments and difficulties.

## 10. **MAIN STATEMENTS WITHIN THE ACCOUNTS AND THEIR PURPOSE**

Tyne & Wear Museums' final accounts for 2007/08 are set out in the following pages and comprise:

**Statement of Accounting Policies.** This section explains the basis of the figures in the accounts, which can only be fully appreciated if the policies, which have been followed in dealing with material items, are explained.

### **Core Financial Statements**

- **Income & Expenditure Account.** This Account summarises the resources that have been generated and consumed in providing services and managing the Joint Committee during the last year. It includes all day-to-day expenses and related income on an accruals basis.
- **Statement of Movement on the General Fund Balance.** The General Fund Balance shows whether the Joint Committee has over- or under-spent against the contributions from the constituent bodies during the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.
- **Statement of the Total Recognised Gains and Losses.** This statement brings together all the gains and losses of the Joint Committee for the year and shows the aggregate increase in its net worth.
- **Balance Sheet.** This statement is fundamental to the understanding of the Joint Committee's year-end financial position. It shows the balances and reserves at the Joint Committee's disposal, its long-term indebtedness and the net current assets employed in its operations. It excludes the Tyne & Wear Museums Development Trust.
- **Cash Flow Statement.** This statement summarises the flow of cash arising from the capital and revenue transactions with third parties.
- **Notes to the Core Financial Statements.**

**Statement of Responsibilities for the Statement of Accounts.** This section sets out the responsibilities of the Joint Committee and the Treasurer to the Joint Committee.

**Annual Governance Statement.** The Code of Practice on Local Authority Accounting in the UK 2006 requires the inclusion of an Annual Governance Statement (AGS). The AGS subsumes the Statement on Internal Control, which was included in previous years.

### **Non-Consolidated Accounts**

- **Tyne & Wear Museums Development Trust Accounts.** This account reflects grants, donations, etc. made by private individuals or companies and held by Trust on the understanding they are used for specific purposes. They are not included in the balance sheet.

## **11. FURTHER INFORMATION**

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press. When the accounts are published copies are available in the Customer Service Centre at Newcastle Civic Centre, Newcastle upon Tyne, NE99 1RD and on the Tyne and Wear Museums website at [www.twmuseums.org.uk](http://www.twmuseums.org.uk).

Enquiries on the accounts, or other general financial matters, should be addressed in the first instance to the Senior Manager: Corporate Affairs, Tyne and Wear Museums (0191 277 2158).

As part of a programme of continuous improvement under Best Value and Comprehensive Performance Assessment (CPA) we are striving to improve our system of reporting back to users of services. If you have any problems understanding this publication, or have any suggestions on how it may be improved, please contact either:-

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## **STATEMENT OF ACCOUNTING POLICIES**

### **1. General Principles**

The Chartered Institute of Public Finance and Accountancy (CIPFA) – the professional body for accountants in the public sector – issues general guidance to local authorities upon how their accounts should be compiled. These accounts conform to the requirements of the Institute as issued in its Statements of Recommended Practice (SORP). Any exceptions are noted in the paragraphs below.

In addition, these accounts are also compiled, as far as practicable, in accordance with the Best Value Accounting Code of Practice (BVACOP). The original code was published in 2000 and it has been updated each year since. BVACOP sets out “proper practice” with regard to financial reporting by local authorities.

The purpose of this code is to ensure consistency and comparability in financial reporting between local authorities. Because of this the accounting statements in these accounts do not always correspond to the Joint Committee's management structure i.e. the way in which the Joint Committee's annual budget is presented.

The principles and policies outlined below also apply to the Tyne & Wear Museums Development Trust held by the Joint Committee where appropriate.

### **2. Accounting Concepts**

These accounts provide information about the Joint Committee's financial performance and position for the year ended 31 March 2008. They act as a starting point for assessing its stewardship of public funds and for making economic decisions.

Certain general principles are employed when these accounts are compiled. These are:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

Three further concepts are a significant element of the financial statements and hence in the selection and application of accounting policies, estimation techniques and the exercise of professional judgement. These are:

- **Accruals**

The financial statements, other than the cash flow statement, are prepared on an accrual basis. This means that transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received.

- **Going Concern**

This means the accounts are prepared on the assumption that TWM will continue its operations for the foreseeable future.

- **Primacy of Legislative Requirements**

The Joint Committee, in common with all other local authority bodies, derives its powers from statute. Its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

### **3. Estimation Techniques**

Estimation techniques are the methods adopted by accountants to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. As a general principle the estimation technique chosen should be the one that most closely reflects the economic reality of the transaction.

These techniques are applied on a case by case basis depending on the nature of the account and those used in the production of these accounts are discussed more fully in the notes below.

### **4. Detailed Accounting Policies**

#### **a. Reserves and Provisions**

##### **Reserves**

The Joint Committee maintains certain reserves to meet specific future expenditure. The Joint Committee's reserves are as follows: -

##### **Acquisitions Reserve**

The Joint Committee established this reserve in July 1987 to provide a fund to finance new acquisitions. In 1992/93 individual acquisitions funds rather than one central fund were introduced. Whereas in the past contributions were calculated in relation to population, districts are now only required to make contributions if they actually make a purchase other than an annual contribution in line with inflation designed to protect the 'purchasing' power of the fund.

##### **Renewals Reserve**

This reserve has been earmarked to provide sums to replace major items of equipment in relation to Access, Archaeology, Information Technology, the Regional Museums Store and Transport.

### **Future Repairs and Maintenance**

This reserve was created to hold sums required to carry out essential repairs to museums when time constraints prevented the work from being completed in the financial year in which the budget provision was made.

### **Business Partners Reserve**

This reserve holds income generated from the Business Partners, which is a membership scheme, the income from which is used to provide small grants to a wide range of museums activities.

### **Earmarked Balances**

During the 1990 interim review of the Joint Agreement, a facility to allow under or overspends of up to 10% in any one year to be carried forward was added to the Financial Regulations governing the Joint Agreement. This provision was created to hold sums falling into this category. Additionally, the earmarked balance includes a provision in respect of outstanding insurance claims.

### **Provisions**

The Joint Committee has a provision for specific future expenses. These are likely or certain to be incurred, but in some cases the exact amount cannot be determined with any certainty.

### **Bad Debts**

This represents a provision for potentially uncollectable debts. It reflects 50% of the value of debts greater than one year old as at 31 March 2008. The amount of this provision is the best estimate taking into account the risks and uncertainties surrounding the recovery of debt.

## **b. Fixed Assets**

The buildings in which the Museums are housed are the property of the constituent authority, and are therefore excluded from TWM's balance sheet.

Museum exhibits purchased before local government re-organisation in 1974 are the property of the constituent authority, which succeeded the local authority owning the exhibit prior to re-organisation. Exhibits purchased by the former Tyne and Wear Metropolitan County Council and the Joint Committee are held by Newcastle City Council and are placed at the disposal of the Joint Committee in the interests of all the constituent authorities. The value of exhibits is therefore excluded from the balance sheet.

## **c. Recharges**

As the buildings in which the Museums are housed are the property of the constituent authorities, any financing charges due in respect of the Museums are paid by the individual authorities and appear as recharges to the Joint Committee.

#### **d. Creditors and Debtors**

Revenue and capital transactions as a general rule are recorded in the accounts on an income and converted payments basis.

##### **Creditors**

Payments are converted to expenditure by including any further known outstanding sums. Payments of items less than £500 are not converted in this way. Generally, a full year's charge is included in the accounts for those supplies and services used continuously and charged on a periodic basis (e.g. gas, electricity and water) but the period covered by the payments does not always coincide with the financial year. Where appropriate, creditors have been raised for capital expenditure.

##### **Debtors**

In most cases sums due to the Joint Committee are credited to the accounts at the time they become due.

#### **e. Stocks, Stores and Work in Progress**

Stocks, stores and work in progress are valued at the lower of cost or net realisable value. Cost is based on 'latest invoice price' and issues have been charged into the accounts on the same basis.

#### **f. Cost of Support Services**

The costs of central support e.g. Accountancy, Human Resources and Legal Services, have been allocated to the Joint Committee on the basis of Service Level agreements in accordance with the guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In line with CIPFA guidance, the cost of corporate management is not charged to services.

#### **g. Pensions - Local Government Pension Scheme**

Employees of TWM are admitted to the Tyne and Wear County Pension Fund, which is administered by South Tyneside Council under the Local Government Pension Regulations 1997. The scheme is a defined benefit type whereby benefits are based on employee pensionable remuneration and length of service. The scheme's assets are held within the Tyne and Wear County Pension Fund. Contributions to the scheme are set by an independent actuary at a rate designed to eliminate any surplus or deficiency in the fund, based on a three yearly valuation.

In the Statement of Recommended Practice (SORP) CIPFA require that the cost of services should bear the current service cost of employees. However, as the Joint Committee employees are employed by the Lead Authority, Newcastle City Council, the current service cost of these employees is borne by Newcastle City Council and disclosed in Newcastle City Council's accounts.

## **h. Insurance**

The insurance for the Joint Committee is arranged through Newcastle City Council.

## **i. Deficit/surplus for the year**

The deficit/surplus represents the position before transfers to and from reserves, which are required to meet commitments. Under the Joint Committee's current budgetary framework, which has been in place for many years, the opportunity exists to carry forward surpluses and deficits into the following year. It is considered prudent to allow surpluses to be carried forward this way as it promotes planned spending of resources rather than forced spending within the constraints of any given financial year.

## **j. Other Accounting Policies**

### **i. Employee Costs**

Employee costs in the Revenue Account include all direct salaries and wages, employers' contributions for National Insurance and pension costs. The Museums' employees consist of curators, officers, drivers, attendants, visitor services personnel and cleaners. The costs of certain technical and professional staff are charged initially to various holding accounts from which a recharge is made to the appropriate subjective head such as transport or premises, to capital projects or to an outside agency.

### **ii. Value Added Tax**

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

### **iii. Former Tyne and Wear County Council Debt**

The Joint Committee's revenue accounts include a recharge from the constituent authorities for the share of the debt of the former County Council relating to Museums. Principal, interest and debt management expenses are recharged to the successor districts on a population basis

### **iv. Contingent Liabilities**

A contingent liability is one where a material loss (cost) to a public authority is not included in the accounts because it cannot be accurately estimated, or because the event is not considered sufficiently likely to arise. Contingent liabilities are disclosed as notes to the balance sheet.

### **v. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Joint Committee satisfies the conditions of entitlement to the

grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Contributions to cover general expenditure (e.g. contributions from constituent bodies) are credited to the foot of the Revenue Account after net operating expenditure and appropriations to and from reserves.

#### **vi. Investments**

Investments are limited to approved investments in accordance with Department of Communities & Local Government Guidance on Local Government Investment and CIPFA's Treasury Management Code. Such investments are shown in the Balance Sheet at cash value.

#### **vii. Interest**

Interest is earned by the Joint Committee in respect of the investment of reserves which are invested in the money market until required.

### **Financial Instruments**

#### **Financial Assets**

The financial assets of the Joint Committee are all held at fair value and are:

- Sundry Debtors
- Investments
- Cash held at Bank

#### **Financial Liabilities**

The financial liabilities of the Joint Committee are all held at fair value and are:

- Sundry Creditors

#### **Nature & Extent of Risks arising from Financial Instruments & How the Joint Committee manages those risks**

In its dealings with financial instruments the Joint Committee is exposed to a number of potential risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Joint Committee
- **liquidity risk** – the possibility that the Joint Committee might not have funds available to meet its commitments to make payments
- **market risk** – the possibility that financial loss might arise for the Joint Committee as a result of changes in such measures as interest rates, market prices, foreign currency exchange rates etc.

The Joint Committee has a SLA with the Lead Authority for its treasury management. As part of its treasury management activities the Lead Authority seeks to actively manage and control the risks associated with its money market and capital market transactions. The Lead Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which its treasury management activities are measured. Therefore the analysis and

reporting of treasury management activities focuses on the risk implications for the organisation.

**Credit risk** arises from deposits with banks and financial institutions, as well as credit exposure to the Joint Committee's customers. Deposits are not made with banks and financial institutions unless they meet the relevant criteria as adopted within the Lead Authority's Treasury Management Strategy. The Lead Authority's investment priorities are the security of capital and the liquidity of its investments. The Lead Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

Suppliers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Joint Committee.

**Liquidity risk** - as the Joint Committee has ready access to its investments, there is no significant risk that it will be unable to access finance to meet its commitments under financial instruments.

**Market risk** - the Joint Committee is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Joint Committee. For instance a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income & Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

Treasury Management officers in the Lead Authority, in conjunction with external advisers, continually monitor both the prevailing interest rates and market forecasts and adopt the following responses to a change of sentiment:

- if it were felt there was a significant risk of a sharp rise in long and short term rates then the portfolio position would be re-appraised with the likely action that fixed rate funding would be drawn whilst interest rates were still relatively cheap
- if it were felt that there was a significant risk of a sharp fall in long and short term rates then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

The Joint Committee has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

# **Core Financial Statements**

## Income and Expenditure Account for the year ended 31 March 2008

This Account summarises the resources that have been generated and consumed in providing services and managing the Joint Committee during the last year. It includes all day-to-day expenses and related income on an accruals basis.

2006/07 Net Expenditure £		2007/08 Gross Expenditure £	2007/08 Gross Income £	2007/08 Net Expenditure £	Notes
	<b>Cultural &amp; Related Services:</b>				
5,726,487	Museums & Galleries	12,574,762	(7,031,643)	5,543,119	1
<b>5,726,487</b>	<b>NET COST OF THE SERVICE</b>	<b>12,574,762</b>	<b>(7,031,643)</b>	<b>5,543,119</b>	
	(Surpluses)/deficit on trading undertakings not included in Net Cost of Service	1,194,774	(1,429,833)	(235,059)	3
(358,598)					
(21,619)	Interest and Investment Income	0	(100,110)	(100,110)	
<b>5,346,270</b>	<b>NET OPERATING EXPENDITURE</b>	<b>13,769,536</b>	<b>(8,561,586)</b>	<b>5,207,950</b>	
	<b>AMOUNT MET FROM CONSTITUENT BODIES</b>				
	(430,450) Gateshead Council			(429,860)	
	(2,107,050) Newcastle City Council			(2,104,180)	
	(622,270) North Tyneside Council			(673,570)	
	(776,480) South Tyneside Council			(767,453)	
	(1,423,480) Sunderland City Council			(1,411,580)	
	(222,810) University of Newcastle upon Tyne			(217,589)	
	<b>(5,582,540)</b>			<b>(5,604,232)</b>	
	<b>(236,270) DEFICIT / (SURPLUS) FOR YEAR</b>			<b>(396,282)</b>	2

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. The General Fund Balance shows whether the Joint Committee has over- or under-spent against the contributions from the constituent bodies during the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £		Note	2007/08 £
(236,270)	(Surplus)/Deficit for the year on the income and expenditure account		(396,282)
236,270	Net additional amount required by statute and non statutory practices to be debited or credited to the General Fund Balance for the year		396,282
<u>0</u>	Increase in General Fund Balance for the year		<u>0</u>
0	General Fund Balance brought forward		0
<u><u>0</u></u>	General Fund Balance carried forward	<b>2</b>	<u><u>0</u></u>

## Statement of Total Movements in Recognised Gains and Losses

This statement brings together all the gains and losses of the Joint Committee for the year and shows the aggregate increase in its net worth.

2006/07 £		2007/08 £
(236,270)	(Surplus)/Deficit for the year on the income and expenditure account	(396,282)
0	Actuarial (gains)/losses on pension fund assets and liabilities	0
<u><u>(236,270)</u></u>	<b>Total recognised loss/(gains) for the year</b>	<u><u>(396,282)</u></u>

**Balance Sheet as at 31 March 2008**

31 March 2007		31 March 2008	Notes
£		£	£
	<b>Current Assets :</b>		
129,862	Stock	134,256	
	Debtors :		<b>10.1</b>
	Sundry Debtors		
1,231,945	( Net of Bad Debts Provision )	1,739,520	
581,287	Investments	1,942,911	
0	Exhibition Prepayments	1,313	
8,475	Cash Imprest	9,285	
<u>1,624,808</u>	Bank - Cash in Hand	<u>109,972</u>	
<b>3,576,377</b>	<b>Total Assets</b>	<b>3,937,257</b>	
	<b>Current Liabilities :</b>		
<u>2,029,748</u>	Creditors	<u>1,994,346</u>	<b>10.2</b>
<b>1,546,629</b>	<b>Total Assets less Current Liabilities</b>	<b>1,942,911</b>	
<u><b>1,546,629</b></u>	<b>TOTAL NET ASSETS</b>	<u><b>1,942,911</b></u>	
	<b>Represented by :</b>		
49,123	Donations	0	
200,233	Acquisitions Reserve	203,697	
310,265	Renewals Reserve	293,489	
70,789	Business Partners Reserve	67,290	
787,845	Museums Earmarked Balance	1,352,072	
128,374	Future R&M Reserve	26,363	
<u><b>1,546,629</b></u>	<b>TOTAL NET WORTH</b>	<u><b>1,942,911</b></u>	<b>10.3</b>

## Cash Flow Statement

2006/2007		2007/2008	Notes
£		£	
	<b>Revenue Activities</b>		
	<b>Cash Outflows</b>		
6,947,045	Cash paid to and on behalf of Employees	7,212,610	
<u>5,990,947</u>	Other Operating Costs	<u>6,950,675</u>	
<u>12,937,992</u>		<u>14,163,285</u>	
	<b>Cash Inflows</b>		
(1,842,075)	Government Grant - DCMS Grant in Aid	(2,096,017)	
(4,360,333)	Other Grants	(5,057,378)	
(2,035,761)	Cash received for Goods and Services	(1,375,123)	
(222,810)	University of Newcastle contribution	(247,738)	
<u>(5,549,662)</u>	Contributions of Constituent Authorities	<u>(5,134,517)</u>	
<u>(14,010,641)</u>		<u>(13,910,773)</u>	
<b><u>(1,072,649)</u></b>	<b>Net Cash Outflow/(Inflow) from Revenue Activities</b>	<b><u>252,512</u></b>	<b>11.1</b>
	<b>Servicing of Finance</b>		
	<b>Cash Inflows</b>		
<u>(21,619)</u>	Interest Received	<u>(100,110)</u>	
<b><u>(21,619)</u></b>	<b>Net Cash Inflow from Servicing of Finance</b>	<b><u>(100,110)</u></b>	
	<b>Management of Liquid Resources</b>		
134,610	Net increase in short term deposits	1,361,624	<b>11.4</b>
<b><u>(959,658)</u></b>	<b>Decrease/(Increase) in Cash and Cash Equivalents</b>	<b><u>1,514,026</u></b>	<b>11.2</b>

Note 11 is an integral part of this statement.

**NOTES TO THE CORE FINANCIAL STATEMENTS****1. Net Cost of service**

The following table provides a subjective analysis of the Net Cost of Service element of the Income and Expenditure account split between core activity, NERMH and projects.

2006/2007 Actual £		Core Activity		Hub	Projects	Total
		2007/2008 Estimate £	2007/2008 Actual £	2007/2008 Actual £	2007/2008 Actual £	2007/2008 Actual £
6,307,012	Employees	4,825,970	4,652,349	1,368,872	507,463	6,528,684
1,634,721	Premises	1,609,530	1,355,219	21,200	265,621	1,642,040
146,363	Transport	59,730	58,901	68,725	20,548	148,174
	Supplies and Services					
3,301,141	- General	1,405,570	1,306,194	1,100,068	1,409,516	3,815,778
33,688	- Acquisitions	27,580	61,114	0	0	61,114
357,898	Central Support Services	280,640	252,353	28,195	5,125	285,673
101,690	Recharges	109,340	93,299	0	0	93,299
<u>11,882,513</u>		<u>8,318,360</u>	<u>7,779,429</u>	<u>2,587,060</u>	<u>2,208,273</u>	<u>12,574,762</u>
(1,842,075)	DCMS Grant In Aid	(2,096,020)	(1,796,017)	0	0	(1,796,017)
(3,814,908)	Other Grants/Contributions	(2,000)	(220,651)	(2,580,273)	(2,079,206)	(4,880,130)
(499,043)	Other Income	(342,870)	(290,402)	(1,557)	(63,537)	(355,496)
<u>(6,156,026)</u>		<u>(2,440,890)</u>	<u>(2,307,070)</u>	<u>(2,581,830)</u>	<u>(2,142,743)</u>	<u>(7,031,643)</u>
<u>5,726,487</u>	<b>Net Cost of Service</b>	<u>5,877,470</u>	<u>5,472,359</u>	<u>5,230</u>	<u>65,530</u>	<u>5,543,119</u>

## 2. General Fund Balance

The 2006 SORP requires the Joint Committee to produce an Income & Expenditure Account that complies with UK generally accepted accounting practices (UKGAAP). The Income and Expenditure Account includes amounts that are required by statute but do not form part of UKGAAP and also excludes amounts in accordance with statute that do form part of UKGAAP.

The net additional amount required to be credited to the General Fund balance for the year comprises:

<b>2006/07</b>		<b>2007/08</b>
£		£
	<b>Amounts included in I&amp;E account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>	
<u>0</u>		<u>0</u>
	<b>Amounts not included in I&amp;E account but required to be included by statute when determining the Movement on the General Fund Balance for the year.</b>	
<u>0</u>		<u>0</u>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.</b>	
(236,270)	Net transfer (to) or from earmarked reserves	(396,282)
<u><u>236,270</u></u>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<u><u>396,282</u></u>

**Net transfers to and from earmarked reserves**

The table below is a summary of the principal cash limits and trading account transfers to and (from) reserves.

<b>Cash Limits</b>	
<b>Earmarked Balances</b>	
Laing - Feasibility/Redevelopment	(296)
Collections Management Project	(100)
Railway Operations	(45)
Corporate Governance	(29)
Corporate Projects	(16)
Storage	(15)
Gateshead	(2)
Newcastle	(41)
North Tyneside	(2)
South Tyneside	(30)
Sunderland	(1)
<b>Renewals Fund</b>	(32)
<b>Acquisitions Reserve</b>	(3)
<b>Business Partners Reserve</b>	3
<b>Donations Account</b>	49
<b>Repairs &amp; Maintenance Reserve</b>	102
<b>Total Cash limit</b>	<b>(458)</b>
<b>Trading Activity</b>	
Museum shops, cafe franchises & gallery hire	14
Archaeology Unit	48
<b>Total Trading Activity</b>	<b>62</b>
<b>Total Movement</b>	<b>(396)</b>

### 3. Trading Activity

External trading undertakings are services funded mainly by sales or rechargeable works outside of the Joint Committee. This means that at least 50% of their gross expenditure are covered by such income. These organisations differ from companies as they do not have a full, commercial set of accounts, autonomy from the Joint Committee in day to day business, or their own legal identity.

#### External Trading Services (surpluses) / deficits are disclosed below:

	2006/07	2007/08	Change
	£	£	£
Archaeology Unit	(111,548)	48,261	159,809
Museum shops, cafe franchises & gallery hire	(247,050)	(283,320)	(36,270)
<b>Net deficit/(surplus) on external trading undertakings</b>	<b>(358,598)</b>	<b>(235,059)</b>	<b>123,539</b>

During 2007/08, the Archaeology Unit produced a deficit of £48,261, compared to £111,548 in 2006/07. It must also be noted that because large projects continue across several financial years, the overall position can only be assessed by looking at performance over a three-year period. The average profit for the unit over the last three years is £33,000. Factors which have affected performance in 2007/08 include:

- changes in the market for archaeology which have required investment in retraining in skills and professional qualifications, and investment in new equipment;
- increased competition leading to a larger number of unsuccessful tenders and pressure on profit margins; and
- developing projects which will be funded from non-commercial sources.

During 2007/08, the Archaeology Unit utilised £57,076 of its reserve to purchase equipment and provide match-funding for the Roman Bridge at Corbridge: The Work of Giants project.

Although trading in the retail outlets has been difficult there has been an overall increase in the net surplus compared with 2006/07. This reflects improved venue hire, particularly at Discovery Museum and the new café franchise.

#### 4. Tyne and Wear Pension Fund

The Joint Committee is recharged for certain pension payments by the Lead Authority, Newcastle City Council, who employs the Joint Committee's employees on its behalf. The details of these recharges are set out below:

	2006/07 £000	2007/08 £000	Change £000
Ordinary employers contributions (payable to the Tyne and Wear Superannuation Fund)	603	638	35
being percentage of pensionable pay	14.5%	14.5%	0%
<b>Added years benefits and related increases</b>	<b>64</b>	<b>62</b>	<b>(2)</b>
being percentage of pensionable pay	1.4%	1.4%	0%
<b>Strain on the Fund contributions</b>	<b>24</b>	<b>0</b>	<b>(24)</b>
Number of employees in scheme	256	264	8

- The contribution rate in 2007/08 was determined by the Fund's actuary based upon the triennial actuarial valuation at 31 March 2004.
- The above figures have been provided by the actuaries to the Tyne & Wear Pension Fund using information provided by the scheme and assumptions determined by Newcastle City Council in conjunction with the actuary.
- Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.
- Further information can be found in Tyne and Wear County Superannuation Fund Annual Report which is available upon request from South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, NE33 2RL.

#### 5. Disclosure of remuneration of senior officers

The following table shows the number of officers, who, in their employment with the Newcastle City Council on behalf of the Joint Committee received remuneration in excess of £50,000. The highest salary is in the band £80,000 - £89,999.

Taxable Pay	Number of Officers		
	2006/07	2007/08	Change
£80,000 - £89,999	1	1	0
	<b>1</b>	<b>1</b>	<b>0</b>

## 6. Central Support Services

Newcastle City Council as the 'lead' authority provides the Joint Committee with support services principally in the areas of accountancy, ICT, human resources, democratic services and legal. The charges are allocated on the basis of Service Level Agreements.

The 2006 SORP requires that all fees payable to the Audit Commission, the auditors of the Joint Committee, are disclosed. The following amounts were payable:

	2006/07	2007/08	Change
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	£17,500	£17,048	(£452)

## 7. Publicity Expenditure

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is TWMs' spending on publicity:

	2006/07 £	2007/08 £	Change £
Recruitment advertising	59,067	41,329	(17,738)
Exhibition and display advertising	353,007	465,860	112,853
Cost of employees who work mainly on publicity	94,542	114,221	19,679
<b>Total</b>	<b>506,616</b>	<b>621,410</b>	<b>114,794</b>

The increase in expenditure on publicity and employees who work mainly on publicity is principally attributable to the *I Like Museums* campaign. *I like Museums* is a regional marketing campaign to promote museums across the North East. It marks the bringing together of two Renaissance programmes, MLA North East's *Broadening Horizons* programme, which aimed to increase marketing skills in non-Hub museums, and the Hub's regional promotional campaign.

**8. Income from bodies under the Local Authority (Goods & Services) Act 1970**

TWM is empowered by this Act to provide goods and services to other public bodies. The income TWM earned from the main recipients of the services is disclosed below:

	2006/07 £	2007/08 £	Change £
University of Newcastle upon Tyne	547,745	595,526	47,781
Archaeological Schemes	164,500	56,093	(108,407)
<b>Total</b>	<b>712,245</b>	<b>651,619</b>	<b>(60,626)</b>

The increase in income earned from the University of Newcastle upon Tyne between 2006/07 and 2007/08 is primarily due to costs recovered from the University of Newcastle upon Tyne in respect of the Great North Museum project and the inclusion of the Hatton Gallery, which TWM are managing for the University as part of the Great North Museum.

The income earned by the Archaeology Unit in 2007/08 is in line with previous years, the 2006/07 figure was exceptionally high due to the scheme undertaken on behalf of Northumberland County Council to excavate a medieval site at Berwick-upon-Tweed.

**9. Disclosure of related party transactions**

The Joint Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Committee.

Central government has effective control over the general operations of the Joint Committee – it is responsible for providing the statutory framework within which the Joint Committee operates, provides significant funding in the form of grants and prescribes the terms of many transactions which the Joint Committee has with other parties. Details of transactions with government departments are set out in a note to the Cash Flow statement.

Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. During 2007/08, works and services to the value of £776,469 and income totalling £729,826 were received from organisations in which members had an interest. Contracts were entered into in full compliance with the Joint Committee's standing orders. Grants were received with proper consideration of the declarations of interest. The relevant members did not take part in any discussion or decision relating to these transactions.

Officers of the Joint Committee declared pecuniary interest in accordance with section 117 of the Local Government Act 1972 in transactions with five organisations. The value of works and services was £34,526 and income totalling £470,910 was received.

The table below summarises the value of significant third party transactions.

<b>2007/08</b>			
	<b>Receipts</b>	<b>Expenditure</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
University of Newcastle upon Tyne	(595,526)	350,000	(245,526)
Heritage Lottery Fund	(392,171)	0	(392,171)
MLA North East	(74,113)	0	(74,113)
Arts Council	(97,667)	0	(97,667)
Beamish Museum	(15,932)	425,053	409,121
Northern Rock Foundation	(12,500)	0	(12,500)
Centre for Life (Life Science Centre)	(7,980)	0	(7,980)
Museums Association	(4,625)	22,523	17,898
Arbeia Society	0	4,943	4,943
Culture North East	0	3,000	3,000
Audiences North East	0	3,255	3,255
The National Trust	0	1,337	1,337
<b>Total</b>	<b>(1,200,514)</b>	<b>810,111</b>	<b>(390,403)</b>

## 10. Financial Instruments

The 2007 Statement of Recommended Practice includes disclosure requirements relating to financial instruments.

**10.1** The Joint Committee's financial assets relate to loans and receivables and are assets that have a fixed or determinable payment but are not quoted on the active market. The loans and receivables are measured at fair value and carried at their amortised cost.

**10.1.1 Receivables:** The balance on debtors (net of bad debts provision) at 31 March 2008 is made up as follows:

<b>Net Debtors as at 31.3.2007 £</b>	<b>Classification</b>	<b>Debtors £</b>	<b>Provision £</b>	<b>Net Debtors as at 31.3.2008 £</b>
3,049	Government Departments	25,069	0	25,069
343,596	Other Local Authorities	221,021	0	221,021
157,402	Other Public Bodies	436,606	0	436,606
727,898	Other General Debtors	1,089,102	(32,400)	1,056,702
0	Sundry Prepayments	122	0	122
<b>1,231,945</b>	<b>Total Net Debtors</b>	<b>1,771,920</b>	<b>(32,400)</b>	<b>1,739,520</b>

Sundry debtors have increased by £507,575 (41%) between years. The majority of this increase relates to grant claims in respect of projects including One North East, the Arts Council of England North East, the Heritage Lottery Fund and the University of Newcastle upon Tyne.

In 2007/08, the bad debt provision increased by £2,360 to £32,400.

**10.1.2 Loans:** The carrying amount of loans made by the Joint Committee relates to investments. In 2007/08 this was £1,942,911, compared to £581,287 in 2006/07. During the year information is provided to the Joint Committee regarding investments.

**10.2** The Joint Committee's financial liabilities relate to trade creditors. Financial liabilities are measured at fair value and carried at their amortised cost.

**Creditors:** The balance on creditors at 31 March 2008 is made up of trade creditors and income in advance as follows:

<b>Classification</b>	<b>Creditors as at 31.3.2007 £</b>	<b>Creditors as at 31.3.2008 £</b>	<b>Change £</b>
<b>Trade Creditors</b>			
Government Departments	350,695	4,342	(346,353)
Other Local Authorities	257,428	141,610	(115,818)
Other Public Bodies	25,236	4,839	(20,397)
Other General Creditors	145,550	159,616	14,066
	<u>778,909</u>	<u>310,407</u>	<u>(468,502)</u>
<b>Income in Advance</b>	1,250,839	1,683,939	433,100
<b>Total Creditors</b>	<u><b>2,029,748</b></u>	<u><b>1,994,346</b></u>	<u><b>(35,402)</b></u>

Although in total creditors have decreased only marginally between years, a significant movement has occurred between trade creditors and income in advance. Whilst the sums owed to government departments, other local authorities and public bodies and general suppliers have decreased by 60% (£468,502), the income carried forward into 2008/09 has increased by 35% (£433,100). Trade creditors in 2006/07, included £350,000 relating to the DCMS G-i-A contribution to the Great North Museum, and £204,000 due to the district clients in respect of over recovery of contributions. Improvements to the calculation of the on-account payments from the district clients have significantly reduced year-end adjustments.

The principal element of the income in advance is DCMS G-i-A committed to projects in 2008/09.

**10.3** The gains and losses recognised in the 2007/08 Income and expenditure Account and STRGL in relation to financial instruments relate to interest income. The 2007/08 interest income was £110,100, compared to £21,619 in 2006/07.

**11. Revenue Reserves:** The health of the Joint Committee's finances is determined by more than the in-year performance. The various provisions and balances within the Joint Committee's balance sheet are also of vital importance to TWM. It is the existence of these provisions and balances which help TWM maintain stability and withstand unexpected financial events.

	Note	Balance as at 1st April 2007	Reserve Applied	Contributions to Reserve		Balance as at 31st March 2008
				From Revenue	Interest	
		£	£	£	£	£
Donations	10.3.1	49,123	(63,430)	14,307	0	0
Acquisitions	10.3.2	200,233	(14,380)	5,770	12,074	203,697
Renewals	10.3.3	310,265	(69,500)	34,015	18,709	293,489
Business Partners	10.3.4	70,789	(11,401)	3,633	4,269	67,290
Earmarked Balances	10.3.5	787,845	(295,375)	797,194	62,408	1,352,072
Repair & Maintenance	10.3.6	128,374	(106,079)	1,418	2,650	26,363
		<b>1,546,629</b>	<b>(560,165)</b>	<b>856,337</b>	<b>100,110</b>	<b>1,942,911</b>

**11.1 Donations:** During 2007/08 the donations were transferred to the Tyne and Wear Museums Development Trust. This transfer enabled TWM to increase the level of onsite public donations by accepting donations through Gift Aid, and thus increasing their value to TWM.

**11.2 Acquisitions Reserve:** In 2007/08, interest accruing on the fund balance, along with inflationary contributions have been added to the core fund and invested. The reserve was utilised to enable the purchase of new items for the collections.

**11.3 Renewals Reserve:** The table below summarises the movements during 2007/08:

	Access	Archaeology	Information Technology	Transport	RMS	Total
	£	£	£	£	£	£
<b>Balance at 1 April 2007</b>	<b>5,176</b>	<b>179,940</b>	<b>14,424</b>	<b>105,236</b>	<b>5,488</b>	<b>310,264</b>
Reserve Applied	0	(55,076)	(14,423)	0	0	(69,499)
Contribution to Reserves	0	8,815	15,000	10,200	0	34,015
Interest	312	10,850	870	6,346	331	18,709
<b>Balance at 31 March 2008</b>	<b>5,488</b>	<b>144,529</b>	<b>15,871</b>	<b>121,782</b>	<b>5,819</b>	<b>293,489</b>

**11.4 The Business Partners Reserve:** In 2007, the Business Partners membership level had healthy growth increasing the membership to 25 members. Income generated from the membership enabled us to support seven projects with

awards of between £2,000 and £5,000 respectively. The breadth of applications was once again very diverse with projects supported ranging from learning projects, gallery refurbishments to significant exhibitions.

- Exploring Your Environment £2,500
- Designs for Life Gallery £4,000
- DCF Opening up Collections £5,000
- Looking at Lowry £4,000
- Remembering Slavery £5,000
- Land of the Pharaohs £2,500
- Collective Minds – Children's Learning project £2,500

**11.5 Earmarked Balances:** The funds within this reserve have been earmarked to support revenue expenditure and projects in future years. In total earmarked reserves have increased by £564,227. It should be emphasised, that balances sit within the budgets of individual districts and there is, of course, no transfer between budgets of separate districts. Equally, balances on central funds are allocated centrally.

37% of Earmarked balances for 2007/08 were utilised during the year. Balances utilised included those earmarked for learning and conservation, market research both of users and non-users, exhibitions, and match-funding for projects including Designs for Life and the refurbishment of Monkwearmouth Station Museum.

**11.6 The Repairs and Maintenance Reserve:** The table below summarises the movements during 2007/08:

	Newcastle R&M £	Capital Reserve £	Total £
<b>Balance at 1 April 2007</b>	<b>9,434</b>	<b>118,940</b>	<b>128,374</b>
Reserve Applied	(9,434)	(96,645)	(106,079)
Contribution to Reserves	0	1,418	1,418
Interest	0	2,650	2,650
<b>Balance at 31 March 2008</b>	<b>0</b>	<b>26,363</b>	<b>26,363</b>

## 12. Contingent Liabilities

The Joint Committee has received eleven equal pay claims. Nine of the claims received are male contingent claims two are contingent female claims. The same men have also recently lodged claims under the Sex Discrimination Act which are linked to their contingent claims.

Liability has been denied in respect of all claims. The claims from the male

employees have all been stayed pending the outcome of similar test cases going through the Tribunals at present. It is likely that the female claims will also be stayed as their progress is dependent on the male contingent claims. As these cases raise new and difficult legal issues which are likely to be the subject of further appeals, it is not possible to quantify a contingent liability. The potential financial impact cannot be measured as there is uncertainty around when the claims will be determined; what any determination might be and the basis upon which any awards, if made would be calculated.

### 13. Cash Flow Statement

#### 13.1 Reconciliation to surplus for the year

This statement is a reconciliation between the net surplus on the income and expenditure account and the revenue activities net cash flow.

2006/2007		2007/2008
	<b>Reconciliation to surplus for the year</b>	
£		£
0	Surplus for the Year	0
	<b>Non-cash transactions</b>	
236,270	Appropriations	396,282
	<b>Items on an accruals basis</b>	
542,194	Creditors	(35,403)
303,016	Debtors	(508,887)
12,788	Stock	(4,394)
	<b>Items in another classification in the cash flow statement</b>	
(21,619)	Interest Received	(100,110)
<u>1,072,649</u>		<u>(252,512)</u>

13.2 **Cash:** This statement reconciles the net movement in cash for all activities.

	Balance	Balance	Movement
	01-Apr-07	31-Mar-08	in the
	£	£	year
			£
Cash Imprest	8,475	9,285	810
Bank Overdraft	0	0	0
Cash at Bank	1,624,808	109,972	(1,514,836)
			<u>(1,514,026)</u>

**13.3 Other Government Grants:** This statement analyses other government grants.

	<b>2006/07</b>	<b>2007/08</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>£</b>
DCMS Grant-in-Aid	1,861,000	2,326,000	465,000

**13.4 Liquid Resources:** The liquid resources of the Joint Committee are its Acquisitions Reserve, Business Partners Reserve, Renewals Reserve, Earmarked Balances and Repairs and Maintenance Reserve which are invested in the money market until required. During 2007/08, a decision was taken to invest the balances in respect of Earmarked Balances and the Repairs and Maintenance Reserve.

	<b>2006/07</b>	<b>2007/08</b>	<b>Change</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Acquisitions Reserve	200,233	203,697	3,464
Business Partners Reserve	70,789	67,290	(3,499)
Renewals Reserve	310,265	293,489	(16,776)
Earmarked Balances	0	1,352,072	1,352,072
Repairs & Maintenance Reserve	0	26,363	26,363
	<b>581,287</b>	<b>1,942,911</b>	<b>1,361,624</b>

**14. Date of issue**

The Statement of Accounts were authorised for issue by the Treasurer to the Joint Committee Paul Woods on 18 June 2008 and it is confirmed that this is the date up to which events after the balance sheet date have been considered. Up to that date there were no post Balance Sheet events.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Joint Committee's Responsibilities**

The Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In TWM, that officer is the Treasurer to the Joint Committee;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I confirm that the Joint Committee has approved the attached Statement of Accounts.

Signed:

Cllr. Ged Bell  
Chair to the Joint Committee

### **The Treasurer to the Joint Committee's Responsibilities**

The Treasurer to the Joint Committee is responsible for the preparation of TWM's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice")

In preparing this statement of accounts, the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer to the Joint Committee has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Treasurer to the Joint Committee Certificate**

I certify that the Statement of Accounts presents fairly the financial position of the Joint Committee at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Signed:

P. V. Woods  
Treasurer to the Joint Committee

Dated: 29 September 2008

## Annual Governance Statement

### 1. Scope of responsibility

Tyne and Wear Museums (TWM) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. TWM also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TWM is responsible for putting in place proper arrangements for the governance of its affairs, including arrangements for the management of risk, thereby facilitating the effective exercise of its functions.

TWM has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be viewed on TWM's website at <http://www.twmuseums.org.uk/about/corporatedocuments/>, or can be obtained from the Senior Manager: Corporate Affairs, Tyne & Wear Museums, Discovery Museum, Blandford Square, Newcastle upon Tyne, NE1 4JA. This statement explains how TWM has complied with the Code and how it meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### 2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which TWM is governed, directed, managed and controlled. It also covers the substantive activities by which it engages with communities and the way in which it is held accountable for these. It enables TWM to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve outcomes, aims and objectives and 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 risks to the achievement of TWM policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the ensuing impact and
- manage risks efficiently, effectively and economically.

The governance framework has been in place at TWM for the year ended 31 March 2008 and up to the date of approval of the Treasurer's Annual Report and Accounts.

### 3. The Governance Framework

The key elements of the systems and processes that comprise the TWM's governance arrangements are described below (and in further detail in the Code):

#### a) Identifying and communicating TWM's vision of its purpose and intended outcomes for citizens and service users

TWM has a commitment to maximising engagement with audiences, through quality delivery, and consistently high performance. This is articulated through its mission, its vision and its commitment, all of which have been generated through wide consultation amongst stakeholders and staff and are endorsed and owned by the Joint Committee.

##### **Mission Statement**

*Our mission is to help people determine their place in the world and define their identities, so enhancing their self-respect and their respect for others.*

##### **Vision**

*Our vision for the future is for everyone to have access to museum provision in Tyne and Wear, to use this access and to value it for the significant and positive impact that it makes upon their lives. We will provide real or virtual, worldwide access to our museums and their collections.*

##### **Commitment**

*Our commitment is to a World-class service that is innovative, imaginative, creative, totally inclusive, secure and sustainable.*

#### b) Reviewing TWM's vision and its implications for TWM's governance arrangements

TWM reviews its mission, vision and commitment annually through the review of its Corporate Plan. The Five-year Corporate Plan is rolled-forward annually and is produced in consultation with stakeholders and staff. The Plan clearly lays out the aims and policies of the organisation and matches these to objectives.

TWM conducts an annual review of the effectiveness of its system of internal control and governance arrangements and publishes the results in an Annual Governance Statement.

#### c) Measuring the quality of services for users, for ensuring they are delivered in accordance with TWM's objectives and for ensuring that they represent the best use of resources

Service quality is a TWM-wide priority. The quality of services is measured using a variety of means including the Annual Resident's Survey, benchmarking of visitors, performance indicators, VAQAS, Accreditation, and the Customer Comments, Compliments and Complaints Procedure.

Progress towards the achievement of objectives is monitored regularly by the Senior Management Team and by regular meeting with clients. Annually, a review is reported to the Joint Committee and to the Department for Culture, Media and

## Sport and in the Annual Report.

The annual budget process includes an efficiency review, considers the impact on service users of all proposals, compares costs through benchmarking with our peers and identifies specific actions required to improve value for money which are then built into our budget.

TWM completes an annual self-assessment in respect of use of resources (value for money), which the Audit Commission assesses, and concludes whether, or not, the Joint Committee has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources. The feedback is used to inform the annual action plan for improvement.

Performance measurement and management information includes Best Value Performance Indicators (to be replaced by a set of National Indicators from 2008/09), Department for Culture, Media and Sport and Renaissance targets and local performance indicators. Target setting for all indicators includes analysis of past performance, comparative performance, priorities and reality, identified through consultation with stakeholders, users and staff and checks are applied to ensure achievability.

### **d) Defining and documenting the roles and responsibilities of the Joint Committee, Audit Committee and officer functions, with clear delegation arrangements and protocols for effective communication**

TWM is a joint service of five local authorities (Newcastle, Sunderland, South Tyneside, North Tyneside, and Gateshead), with additional support and contributions from the Department for Culture, Media and Sport (DCMS). TWM has a separate management agreement with the University of Newcastle upon Tyne, to manage the Hancock Museum (soon to become the Great North Museum).

It manages eleven sites, in total, on behalf of its clients; however, it is an autonomous body, client-centred but with its own management committee of elected members from the five authorities.

TWM is also the lead partner for the North East Regional Museums Hub (NERMH) which operates on behalf of a partnership which includes the Museums, Libraries and Archives Council (MLA), its regional agency (MLA North East), Beamish: The North of England Open Air Museum, The Bowes Museum and Hartlepool Museums Service.

The relationship between and commitment of, the partners is enshrined in the Tyne & Wear Museums Joint Agreement (1986, renewed in both 1996 & 2006). This lays out the terms and conditions of the relationship and the involvement of central government.

Policy and decision making is undertaken by the Joint Committee and key decisions are outlined in the Corporate Plan. A considerable degree of consultation takes place about budget priorities and budget proposals, which shaped the budget decisions that were made.

The Joint Committee has delegated certain responsibilities to the Director, which

are set out in the Financial Handbook.

Decisions taken under delegated powers are reported on a regular basis to the Chair to the Joint Committee.

**e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

The standards of conduct and behaviour expected of members and officers is set out in the Code of Conduct provided by Newcastle City Council and is supported by training programmes for both members and staff.

Employee contracts of employment, Induction Plans, Personal Development Plans, a Members Training Programme, and the Dignity at Work Policy further support high standards of behaviour.

To prevent members and employees from being influenced by prejudice, bias or conflicts of interest, we maintain and perform regular checks on our Register of Interests and Register of Gifts and Hospitality for both members and officers.

The Financial Regulation set out procedures to ensure objectivity, fairness and probity in the procurement process.

**f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

In order to ensure that decision makers have followed a proper process decisions are properly documented and must be taken with regard to all relevant considerations. This includes members and officers having all relevant information before decisions are made, including the outcome of constructive scrutiny and a detailed assessment of the risks to ensure that resources are used legally and efficiently.

The system is based on a framework of annual budgeting and accounting, regular management information, financial regulations and procedure notes, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within TWM.

TWM has adopted a Risk Management Strategy and requires the consideration of risks in relation to the achievement of delivery priorities (whether through services, projects or partnerships), in order to help provide assurance that aims will be met, resources are effectively used and areas of weakness are highlighted at an early stage.

All identified risks are recorded in the Strategic Risk Register. The Strategic Risk Register illustrates the key risks to TWM objectives; risk management is incorporated within services, major projects, key decisions and budget planning. The Strategic Risk Register is reviewed twice a year

**g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

TWM has established an Audit Committee which is separate from the Joint Committee. It includes an independent chair and vice-chair. During 2007/08, the Audit Committee undertook a self-assessment using a self-assessment checklist developed by CIPFA to enable a review of its terms of reference and business activities to be carried out and to allow benchmarking against published best practice guidance. Following the Review, an action plan of improvements was produced. An annual training programme is also provided.

The Audit Committee provides an essential challenge, monitoring and scrutiny role in relation to governance and internal control issues, helping to provide assurance and the early identification and resolution of weaknesses in arrangements.

The work of Audit Committee is demonstrated through its agendas and minutes which are available on TWM's website.

**h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

TWM has a service level agreement with Newcastle City Council's Legal Services department which advises managers and ensures the lawfulness and fairness of decision making. Advice is also provided to members and officers on the likely impact of new legislation affecting TWM and the legal implications of key decisions are highlighted.

TWM is subject to internal and external audit and inspection regimes.

The Audit Committee ensures high standards of conduct throughout TWM and oversees issues relating to governance and internal control.

The City Treasurer at Newcastle City Council is the officer nominated under section 151 of the Local Government Act 1972 and is responsible for ensuring the proper administration of TWM's financial affairs, financial reporting and for reporting breaches of financial regulations as appropriate. The City Treasurer is also responsible for ensuring compliance with the requirements of the Accounts and Audit Regulations 2003 relating to accounting records, control systems and audit.

TWM's financial regulations (and detailed financial procedure notes) set out the key features of TWM's system of internal financial control. Bi-monthly budget and performance monitoring reports are submitted to the Joint Committee setting out any significant issues that require approval.

The Director is the accounting officer to the DCMS in respect of the annual grant-in-aid provided by that body.

TWM has a service level agreement with Newcastle City Council's internal audit service, which meets the requirements of the CIPFA Code of Practice on Internal Audit.

**i) Whistle-blowing and receiving and investigating complaints from the public**

TWM has adopted Newcastle City Council's 'Policy for Confidential Reporting of Concerns – Whistleblowing'.

TWM has a Customer Comments, Compliments and Complaints Procedure. Matters raised through this process are reviewed regularly by the Senior Management Team.

**j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

TWM values its staff as one of its greatest assets. For this reason, there is significant investment in staff training and development. TWM has produced a Workforce Development Plan to ensure both staff and volunteers have the necessary skills and knowledge to be effective in carrying out their responsibilities. For new staff, there is a standard induction programme. In addition, information for staff is provided through Newcastle City Council's Staff Information Manual.

Personal Development Plan reviews further support the identification of officer learning and development needs.

Members are supported via their individual authority through an induction programme, training needs assessments linked to a training programme, mentoring and their own Learning and Development Plans which include role descriptions and personal development plans.

In 2006/07, TWM was awarded Investors in People status. Peter Thompson, Chair of iP Recognition Trio (moderating panel), wrote of TWM: 'It is clear from the report that continuous improvement is at the core of what you do. . .'

The audit committee carried out a self-assessment of its effectiveness and agreed an action plan which includes addressing training needs.

**k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

TWM regularly consults with its users, both by annual benchmarking, but also through focus groups and user groups. The feedback is used to inform future design and delivery of services. Examples include:

- The People's Panel
- Creative Minds, Children's consultation Group
- Museums and Galleries Disabled Access Group
- INSET consultation
- Mediatheque focus groups

TWM maintains a close working relationship with key partners and stakeholders also ensure that TWM continues to reflect upon its priorities and its governance arrangements.

Meetings are held in public unless there are good reasons for confidentiality, in

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accordance with the Access to Information Procedure Rules.

**I) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in TWM's overall governance arrangements.**

- The North East Regional Museums Hub (NERMH) is run by TWM on behalf of a partnership which includes the Museums, Libraries and Archives Council (MLA), its regional agency (MLA North East), Beamish Museum, The Bowes Museum and Hartlepool Museums Service.
- Regular meetings are held with District Officers
- Participation in the Wearmouth-Jarrow Partnership Board

**4. Review of effectiveness**

TWM has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within TWM who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the Audit Committee, external auditors and other review agencies and inspectorates.

The review process includes:

- The Joint Museums Committee as the primary source of scrutiny
- The Annual Audit letter from the Audit Commission, reported to the Joint Committee in November 2007. The audit letter reports on audit work, of the Audit Commission in their role as the Joint Committee's external auditors.
- Views and comments from the Audit Committee, which oversees internal control arrangements and helps to secure improvements in these systems.
- The Annual Internal Audit Opinion, informed by the work of the Internal Audit Section operating under the requirements and standards of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2003) and a risk-based audit plan which is informed by the Joint Committee's risk management strategy. The Plan is approved by the Audit Committee annually.
- The Value for Money conclusion issued by the Audit Commission.
- The annual assurance statement completed by the TWM senior management team.
- The assessment of the DCMS on the Annual Review of Performance.
- TWM's Strategic Risk Register, which holds the most significant risks to TWM's objectives.
- The review of the Joint Committee's arrangements on Internal Audit. This review, required by the Accounts and Audit (Amendment) Regulations 2006, requires the Joint Committee to review the effectiveness of its system of Internal Audit once a year. The 2007/08 Review concluded that internal audit complies with all the organisational standards set out in the 'CIPFA Code of Practice: Internal Standards for Local Government in the UK'. There is, however, some scope to improve understanding within TWM staff and to

develop an Internal Audit Charter which is tailored to meet TWM's requirements. These improvement areas will be included in the Action Plan for 2008/09.

- The opinion of the MLA's Accreditation Panel on TWM's status in respect of the Accreditation Standard.
- Scrutiny arrangements of the Hub Review Group.
- The Investors in Children and Investors in Volunteers assessments.
- VAQAS assessment.
- TWM Protection Policy endorsed by the NSPCC Safer Communities Scheme.

TWM has been advised on the implications of the result of the review of the effectiveness of the governance framework by audit committee working group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5. Significant governance issues

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of TWM's objectives have been mitigated.

The following items were identified as significant internal control issues within the 2006/07 Statement on Internal Control (now known as the 'Annual Governance Statement') and have been successfully resolved or have experienced improvements to the extent that they did not constitute significant weaknesses during 2007/08.

<b>Issues from 2006/07 Statement now resolved</b>	<b>Action taken which has addressed these issues</b>
Service Level Agreement arrangements with the Lead Authority	All SLA's with Lead Authority were agreed and confirmed in writing by 31 March 2008. During 2008/09, the SLA's will be reviewed to ensure that the services provided meet TWM's specific requirements and represent value for money.

This review has highlighted the following issues as significant during 2007/08:

<b>2007/08 Issues</b>	<b>Action taken / planned to resolve the issue</b>
IT Business Continuity and Disaster Recovery	Improved procedures and systems to ensure that TWM has effective management processes in place in the event of failure of all or part of TWM ICT infrastructure will be developed with IT Newcastle and phased over the year and be fully operational by 31st March 2009

These issues are managed within TWM's *Improvement Plan* with regular monitoring provided by the Senior Management Team and the Audit Committee.

TWM proposes, over the coming year, to take steps to address the above matters in order to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

## 6. Continual improvement in the governance and internal control environment

In order to develop and maintain an effective governance and control environment, there is a need for continuous review, reflection and improvement in an environment that is constantly changing and presenting new risks. During 2007/08, TWM implemented the following to strengthen its corporate governance environment:

- a corporate governance programme to develop a robust, systematic, integrated and consistent approach to corporate governance across TWM.
- a tailored training programme for the Audit Committee
- rolled out the Customer Comments, Compliments and Complaints Procedure

The annual review of effectiveness has highlighted the following improvement areas arising from 2007/08:

2007/08 Improvement Areas	Action taken/planned to resolve the issue
Web Statistical monitoring systems	All TWM web resources are now managed by an external agency. New software and procedures have been established to record information on use of TWM web resources. TWM and the Web agency will review the information regularly to assess web performance

<p>Counter Fraud Policy</p>	<p>One of the basic principles of public sector organisations is the responsible and effective use of public funds. It is therefore important that those who work in TWM are aware of the risk of and means of enforcing the rules against fraud and other illegal acts involving deception and corruption.</p> <p>TWM already has procedures in place that reduces the likelihood of fraud occurring. These include standing orders, standing financial instructions, development of documented procedures, a system of internal control and a system of risk assessment.</p> <p>This Counter Fraud Policy is intended to provide direction and help to those Officers who find themselves faced with suspected cases of theft, fraud or corruption. It will provide a framework for a response, advice and information.</p>
<p>Increase awareness of the Corporate Governance process by embedding Risk Management</p>	<p>In order to ensure that every employee within TWM is aware of the importance of risk management, leaflets for employees will be produced and distributed during 2008/09. The roll-out of risk workshops will continue.</p>
<p>Work with members to develop clear statement of roles and responsibilities.</p>	<p>The Audit Committee identified as part of its self-assessment, the need to assess future training and development needs &amp; to regular review their Terms of Reference. A tailored training day is being developed for September 2008, and the terms of reference will be reviewed at the June 2008 audit committee.</p>
<p>Document management systems</p>	<p>Following consultation with the lead officer for Records Management in the Tyne and Wear Archives Service, work has begun to improve management of central files held by TWM. Improved email archiving will be introduced and file and document management will become a mandatory element within induction for new staff. Guidance will also be issued to all existing staff. New project management guidelines will ensure that appropriate document configuration procedures are in place for all TWM projects</p>

<p>Trustee Training: Tyne and Wear Museums Development Trust.</p>	<p>TWM has a charitable arm, the TWMDT. There are five Council Trustees who are nominated by the five constituent authorities. During 2008/09, training will be provided to ensure that the trustees understand their role and responsibility for the overall management and decision making for the Trust.</p>
<p>Work with MLA North East to ensure regional delivery under new funding regimes</p>	<p>The Hub is working with MLA NE and MLA nationally to develop arrangements for the transition of relevant elements of the Renaissance programme from the regional Agency to the Hub. This is taking place within a framework operating across the nine English regions. In particular, the increased impact on Hub delivery will be assessed, and seeking to ensure that we can continue to deliver the agreed programme for 2008/9. This will be developed through the Regional Renaissance Board, and in discussions with MLA North East.</p>
<p>Develop a Value for Money (VFM) Framework</p>	<p>The purpose of establishing a VFM framework is to:</p> <ul style="list-style-type: none"> <li>○ Establish TWM's profile in terms of VFM;</li> <li>○ Draw out and identify strengths, good examples and evidence of VFM at TWM;</li> <li>○ Identify areas and actions for improving VFM.</li> </ul> <p>TWM will use the Audit Commission's VFM 'Key Line of Enquiry' (KLOE) document: a self-assessment template designed to allow services to highlight strengths and weaknesses in VFM, and identify areas for improvement.</p>
<p>Embed consultation with users to ensure appropriate representation</p>	<p>TWM has a standing Disabled Access Group and Children's Panel. A Young People's Panel will be established and specific consultation with BME groups will take place for particular initiatives (consultation has suggested that this is a more appropriate way of representing the views of BME communities). The work of the People's Panel will also be continued through involvement with specific Outreach initiatives including Culture shock. Reports and recommendations from consultation will be stored and made available to TWM staff through a designated area on TWM's shared network drive.</p>

We propose over future years to take steps to address the following improvement areas identified as part of the annual review of effectiveness to further enhance our governance arrangements.

- Undertake a review of significant partnerships in order to ensure that robust governance arrangements are in place.
- TWM currently relies on the Newcastle City Council Code of Conduct. The aim is to develop and promote TWM's reputation as a quality organisation and to ensure the integrity of our employees by developing our own Code.

## 7. Conclusion

The governance (and internal control) environment operating during 2007/08 is considered to provide reasonable and objective assurance that any significant risks impacting on the achievement of TWM's principal objectives will be identified and actions taken to avoid or mitigate their impact. A number of weaknesses and issues were identified and these are set out above. Implementing the action plans is a priority.

Systems are in place to review continually and to improve the governance (and internal control) environment. A number of additional mid-year system reviews are being undertaken to provide assurances that improvements are being implemented and that the assessment process has improved.

The annual review has shown that, with the exception of those items listed in section 5: *Significant Governance Issues*, the arrangements are in place and operating as planned.

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Paul Woods  
Treasurer to the Joint  
Museums Committee

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Alec Coles  
Director of  
Tyne & Wear Museums

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Cllr. Ged Bell  
Chair of the  
Joint Museums Committee

Date: 29 September 2008

Date: 29 September 2008

Date: 29 September 2008

## **Independent auditor's report to the Members of Tyne and Wear Museums Joint Committee**

### **Opinion on the financial statements**

I have audited the financial statements and related notes of Tyne and Wear Museums Joint Committee for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Tyne and Wear Museums Joint Committee in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Treasurer and auditor***

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements 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 present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Joint Committee and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and 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 in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Joint Committee in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Joint Committee'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 related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

### ***Opinion***

In my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Joint Committee's Responsibilities***

The Joint Committee is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Joint Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Tyne and Wear Museums Joint Committee made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Nicklin  
District Auditor  
Audit Commission  
Nickalls House  
Metro Centre  
Gateshead  
NE11 9NH

29 September 2008



# **Non-Consolidated Statements**

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED  
31 MARCH 2008**

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2008	<i>Total Funds 2007</i>
		£	£	£	£
<b>Incoming Resources (Note 3)</b>					
<b>Incoming resources from generated funds</b>					
Voluntary Income	3a:	63,931	73,536	<b>137,467</b>	<i>106,004</i>
Investment Income	3b:	2,397	12,406	<b>14,803</b>	<i>9,350</i>
<b>Incoming resources from charitable activities</b>					
		0	0	<b>0</b>	<i>0</i>
<b>Other incoming resources</b>					
		0	0	<b>0</b>	<i>0</i>
<b>TOTAL INCOMING RESOURCES</b>		<b>66,328</b>	<b>85,942</b>	<b>152,270</b>	<i>115,354</i>
<b>Resources Expended (Notes 4 - 6)</b>					
<b>Costs of generating funds</b>					
Charitable Activities	4a:	14,499	101,652	<b>116,151</b>	<i>58,305</i>
Governance Costs	4b:	320	2,899	<b>3,219</b>	<i>3,534</i>
<b>TOTAL RESOURCES EXPENDED</b>		<b>14,819</b>	<b>104,551</b>	<b>119,370</b>	<i>61,839</i>
<b>Net Incoming Resources</b>		<b>51,509</b>	<b>-18,609</b>	<b>32,900</b>	<i>53,515</i>
<b>Investment gains/losses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<i>0</i>
<b>NET MOVEMENT IN FUNDS (Note 7 &amp; 8)</b>		<b>51,509</b>	<b>-18,609</b>	<b>32,900</b>	<i>53,515</i>
<b>Fund Balances at 1 April 2007</b>		<b>0</b>	<b>245,489</b>	<b>245,489</b>	<i>191,974</i>
<b>Fund Balances at 31 March 2008</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<i>245,489</i>

The notes on pages 57 to 66 form part of these accounts.

**BALANCE SHEET AS AT 31 MARCH 2008**

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
		£	£	£	£
<b>Fixed Assets</b>					
Tangible Fixed Assets		0	0	0	0
Investments		0	0	0	0
<b>Total Fixed Assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>					
Debtors & Prepayments		0	0	0	0
Cash at Bank & In Hand		51,509	226,880	278,389	245,489
<b>Total Current Assets</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<b>245,489</b>
<b>Creditors:</b> amounts falling due within 1 year		0	0	0	0
<b>Net Current Assets/ (liabilities)</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<b>245,489</b>
<b>Total assets less current liabilities</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<b>245,489</b>
<b>Creditors:</b> amounts falling due after more than 1 year		0	0	0	0
<b>Total Net Assets</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<b>245,489</b>
<b>Funds of the Trust</b>					
Unrestricted funds	8	51,509	0	51,509	0
Restricted income funds	7	0	226,880	226,880	245,489
<b>Total Funds</b>		<b>51,509</b>	<b>226,880</b>	<b>278,389</b>	<b>245,489</b>

Approved by the Trustees on 24 June 2008:

Trustee, Tyne & Wear Museums Development Trust

The notes on pages 57 to 66 form part of these accounts.

## NOTES TO THE ACCOUNTS

### 1. Basis of preparation

#### 1.1 Basis of Accounts Preparation

The accounts are prepared under the historical cost convention, in accordance with:

- Accounting and Reporting for Charities – Statement of Recommended Practise (SORP 2005); and,
- with Accounting Standards; and,
- with the Charities Act 1993.

#### 1.2 Change in basis of accounting

There has been no change to the accounting policies (valuation rules and methods of accounting) since last year.

#### 1.3 Changes to previous accounts

No changes have been made to accounts for previous years.

### 2. Statement of Accounting Policies

#### Incoming Resources

##### Recognition of incoming resources

These are included in the Statement of Financial Activities (SoFA) when:

the charity becomes entitled to the resources;

the trustees are virtually certain they will receive the resources; and

the monetary value can be measured with sufficient reliability.

##### Incoming resources with related expenditure

Where incoming resources have related expenditure (as with fundraising or contract income) the incoming resources and related expenditure are reported gross in the SoFA.

##### Grants and donations

Grants and donations are only included in the SoFA when the charity has unconditional entitlement to the resources.

##### Investment Income

This is included in the accounts when receivable.

## **Expenditure and Liabilities**

- Liability Recognition** Liabilities are recognised as soon as there is a legal or constructive obligation committing the Trust to pay out resources.
- Governance Costs** Include costs of the preparation and examination of statutory accounts, the costs of trustee meetings and cost of any legal advice to the trustees on governance or constitutional matters.
- Support costs** Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. staff costs by the time spent and other costs by their usage.

## **Assets**

- Tangible fixed assets** The trust has no tangible fixed assets.
- Investments** The Trust has no investments other than cash at bank.

### 3. Analysis of incoming resources

3a: Voluntary Income	2008		2008 Total Funds £	2007 Total Funds £
	Unrestricted Funds £	Restricted Funds £		
Esmeé Fairbairn Foundation: <i>Designs for Life</i> (Shipley Art Gallery)	0	0	0	10,000
Northern Rock Foundation: <i>National Touring Partnership</i> (Laing Art Gallery)	0	0	0	40,000
Northern Rock Foundation: <i>Our Way- British Sign Language (BSL) in Museums &amp; Galleries</i> (Tyne and Wear Museums)	0	12,500	12,500	12,500
Garfield Weston Foundation	0	0	0	30,000
Sir James Knott Trust:	0	0	0	5,000
Catherine Cookson Foundation:	0	0	0	3,000
Public Donations:	0	0	0	2,831
Tyne and Wear Museums Business Partners: <i>Jackie Milburn Restoration</i> (Stephenson Railway Museum)	0	0	0	2,643
Public Donations: <i>Regional Resource Centre</i>	0	0	0	30
<i>Great North Musum</i>	0	36	36	0
<i>Public Donations:</i>	63,429	0	63,429	0
<i>General Fund-raising</i>	502	0	502	0
Shipley Art Gallery Trust: <i>Designs for Life</i> (Shipley Art Gallery)	0	36,000	36,000	0
Northern Rock Foundation: <i>Remembering Slavery</i> (Tyne and Wear Museums)	0	15,000	15,000	0
Gillian Dickinson Trust <i>Culture Shock</i> (Tyne and Wear Museums)	0	10,000	10,000	0
<b>Total</b>	<b>63,931</b>	<b>73,536</b>	<b>137,467</b>	<b>106,004</b>

3b: Investment Income	2008		2008 Total Funds £	2007 Total Funds £
	Unrestricted Funds £	Restricted Funds £		
Bank Interest	2,397	12,406	14,803	9,350
<b>Total</b>	<b>2,397</b>	<b>12,406</b>	<b>14,803</b>	<b>9,350</b>

## 4. Analysis of resources expended

4a: Charitable activities	2008		2008 Total Funds	2007 Total Funds
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Catherine Cookson Foundation: South Shields Museum: <i>Redevelopment</i>	0	14,095	14,095	0
ShIPLEY Art Gallery Trust: ShIPLEY Art Gallery <i>Designs for Life</i>	0	36,229	36,229	0
Esmeé Fairbairn Foundation: ShIPLEY Art Gallery <i>Designs for Life</i>	0	10,064	10,064	0
Northern Rock Foundation: Tyne and Wear Museums <i>Remembering Slavery</i>	0	15,095	15,095	0
<i>Andrew Weir Shipping</i> Tyne and Wear Museums <i>Regional Museums Store</i>	0	11,674	11,674	0
Northern Rock Foundation: ShIPLEY Art Gallery: <i>Contemporary Craft Gallery</i>	0	1,179	1,179	0
Northern Rock Foundation: Laing Art Gallery: <i>National Touring Partnership</i>	0	0	0	41,414
Sir James Knott Trust: WA Handley Charity Trust: Tyne and Wear Museums: <i>Museums Fortnight Fest.</i>	0 0	0 135	0 135	2,731 1,226
Northern Rock Foundation: ShIPLEY Art Gallery <i>Northern Rock Craft Acquisition Fund</i>	0	13,181	13,181	10,291
Public Donations <i>Tyne and Wear Museums</i>	14,499	0	14,499	0
Tyne and Wear Museums Business Partners: Stephenson Railway Museum: <i>Jackie Milburn Restoration.</i>	0	0	0	2,643
<b>Total</b>	<b>14,499</b>	<b>101,652</b>	<b>116,151</b>	<b>58,305</b>

Resources expended include support costs associated with charitable activity which are identified in Note 5.

4b: Governance Costs	2008		2008 Total Costs	2007 Total Costs
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Auditors Fee	124	1,126	1,250	1,200
Other	196	1,773	1,969	2,334
<b>Total</b>	<b>320</b>	<b>2,899</b>	<b>3,219</b>	<b>3,534</b>

## 5. Support Costs

<b>Support cost type</b>	<b>Charitable Activity</b>	<b>Governance Costs</b>	<b>Total Costs</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Finance & Administration tasks	3,999	0	3,999
Preparation of Annual Accounts	0	1,125	1,125
Completion of Charity Returns	0	231	231
Preparation of Annual Report	0	175	175
Travel & Training	0	165	165
Other Report Preparation & Attendance at Trustee meetings	0	273	273
<b>Total</b>	<b>3,999</b>	<b>1,969</b>	<b>5,968</b>

## 6. Investment Assets

<b>Analysis of investments</b>	<b>Value at year end</b>	<b>Income from investments for the year</b>
	<b>£</b>	<b>£</b>
Cash at Bank	278,389	14,803
<b>Total</b>	<b>278,389</b>	<b>14,803</b>

**7. Restricted Funds: Movement in Year**

Ref	Fund Names	Balance at 1 April 2007	Incoming Resources	Outgoing resources	Investment gains	Balance at 31 March 2008
1	Andrew Weir Shipping: Regional Museum Store: <i>Conservation</i>	18,040	0	11,600	0	6,440
2	Northern Rock Foundation: Shipleigh Art Gallery: <i>Craft Acquisition Fund</i>	140,060	0	13,098	0	126,962
3	Northern Rock Foundation: Tyne and Wear Museums <i>Our Way- British Sign Language (BSL) in Museums &amp; Galleries</i>	12,500	12,500	0	0	25,000
4	Garfield Weston Foundation: Sir James Knott Trust: Catherine Cookson Foundation: Public Donations: Stephenson Railway Museum <i>Jackie Milburn Restoration.</i>	30,000 5,000 3,000 2,831	0 0 0 0	0 0 0 0	0 0 0 0	30,000 5,000 3,000 2,831
5	Public Donations: <i>Regional Resource Centre</i> GNM	30 0	0 36	0 0	0 0	30 36

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Ref	Fund Names	Balance at 1 April 2007	Incoming Resources	Outgoing resources	Investment gains	Balance at 31 March 2008
6	Gillian Dickinson Trust <i>Culture Shock</i>	0	10,000	0	0	10,000
7	Catherine Cookson Foundation: South Shields Museum: <i>Redevelopment</i>	14,006	0	14,006	0	0
8	Esmeé Fairbairn Foundation ShIPLEY Art Gallery: <i>Designs for Life</i>	10,000	0	10,000	0	0
9	Northern Rock Foundation: ShIPLEY Art Gallery: <i>Contemporary Craft Gallery</i>	1,172	0	1,172	0	0
10	WA Handley Charity Trust: People's Gallery: <i>Outreach</i>	135	0	135	0	0
11	ShIPLEY Art Gallery Trust <i>Designs for Life</i>	0	36,000	36,000	0	0
12	Northern Rock Foundation <i>Remembering Slavery</i>	0	15,000	15,000	0	0
13	Reserves	8,715	0	3,541	12,406	17,580
	<b>Total Funds</b>	<b>245,489</b>	<b>73,536</b>	<b>104,551</b>	<b>12,406</b>	<b>226,880</b>

## **Notes on future use of restricted funds**

### **1. Andrew Weir Shipping, Regional Museums Store**

The donation from Andrew Weir Shipping was made, and is set aside, for the long-term benefit of the TWM industrial and maritime collections held at the Regional Museums Store (RMS) at Beamish. It is intended to make use of this resource for the preventive and remedial conservation of these collections, and in particular to improve their condition and appearance for the benefit of visitors to the RMS. To maximise the benefit of the donation, it is being used to provide match funding to lever other grants which are available from time to time for this purpose (for example the MLA PRISM Fund) and also to respond to other opportunities, such as supporting the involvement of skilled and experienced volunteers. Therefore, the donation will be utilised over several years. Approximately £2.5k of the funding will be utilised in 2008/09 on further work on the Doxford engine, which will be matched by volunteer input.

### **2. Northern Rock Foundation, Shipley Art Gallery, Craft Acquisition Fund**

The sum of £300,000 has been awarded by the Northern Rock Foundation to develop contemporary craft collections of national significance in the North East region focused on the Shipley Art Gallery and the Middleborough Institute for Modern Art (mima). The grant has been equally divided between the two venues for the purchase of contemporary craft over a five year period. The grant has been awarded as one single payment to each venue in order to receive the extra benefit of interest which will enhance buying capability. An acquisitions panel has been established by the Shipley to support and advise on the purchasing of craft. The purchase of the first two items has been made, with support from the V&A Purchase Grant Fund. The appointment of a new Keeper of Art for the Shipley, specialising in craft, will facilitate the further development of the collection through this fund. The project objectives are below:

#### Project Objectives

- To develop contemporary craft collections of national significance;
- to ensure that the acquisitions policies and resulting collections of the two institutions are both coherent and complementary;
- to ensure that the collections of the two institutions are developed as part of a national framework for craft collections and take due account of the nature and scope of other collections;
- to ensure that potential public benefit informs the acquisition programmes, in terms of developing public awareness of and engagement with contemporary craft;
- to use the core funding provided by the Northern Rock Foundation to lever in additional resources to maximise the impact of the project.

**3. Northern Rock Foundation, Our Way- British Sign Language (BSL) in Museums & Galleries**

This innovative project aims to encourage members of the Deaf community to participate and engage with museums and galleries in the North East. The majority of the Deaf community are reluctant about visiting museums and galleries. The main reason for this is the lack of British Sign Language (BSL) interpretation within museums and galleries.

The *Our Way* project aims to recruit Deaf volunteers to liaise with museum staff and create BSL led tours across TWM and HUB venues. The volunteers will then guide groups of people (BSL users) on the tours, thus creating interpretation for the Deaf community in their first language and preferred means of communication.

**4. Various Sources: The Jackie Milburn Restoration Fund**

The Jackie Milburn Restoration Fund represents grants and donations toward the project to restore to operation the steam locomotive 'Jackie Milburn' at the Stephenson Railway Museum. The project is to be substantially resourced by the Heritage Lottery Fund (HLF), and a requirement of the HLF was that all match-funding should be secured before a formal commencement of work. The Fund is holding money which was donated to the project in advance of the formal start of the project. Work is now under way and it is expected that the project will be completed during 2009/10.

**5. Public Donations: Regional Resource Centre / Great North Museum**

These public donations will be expended on the specified project and will be used to resource display, outreach and learning work.

**6. Gillian Dickinson Trust: Culture Shock**

Fundraising for Culture Shock was completed in March 2008 allowing the project to begin. A Project co-ordinator was appointed in May 2008 and will begin work in June 2008. The funding will be drawn down, in line with the project cash flow, at a fixed intervention rate in the period June 2008 - May 2010.

**8. Un-restricted Funds: Movement in Year**

Ref	Fund Names	Balance at 1 April 2007	Incoming Resources	Outgoing resources	Investment gains	Balance at 31 March 2008
1	Fundraising: <i>General</i>	0	502	0	0	502
2	Public Donations: <i>General</i>	0	63,429	12,422	0	51,007
3	Investment Income	0	2,397	2,397	0	0
	<b>Total Funds</b>	<b>0</b>	<b>66,328</b>	<b>14,819</b>	<b>0</b>	<b>51,509</b>

Public donations will be utilised to further the objectives of the venue in which the donation was made.

**9. Disclosure of related party transactions**

The Trust is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Trust or to be controlled or influenced by the Trust. Disclosure of these transactions allows readers to assess the extent to which the Trust might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Trust.

Trustee's have direct control over the Trust's financial and operating policies. During 2007/08, the Trust did not receive any funding or make any payments to any organisation in which any Trustee had an interest.