

TYNE & WEAR MUSEUMS
JOINT COMMITTEE



TREASURER'S REPORT AND ACCOUNTS
(Produced subject to audit)

2008/09

**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 2009 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 2008/09 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

Twelve 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 four, Segedunum Museum, Washington F Pit, Great North Museum: Hancock and the Hatton Gallery, under agreements with North Tyneside Council, City of Sunderland and the University of Newcastle 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 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 Council), MLA North East, Beamish: The North of England Open Air Museum, The Bowes Museum and Hartlepool Museums Service. The NERMH is funded through the Museums, Libraries and Archives Council as part of the Government's Renaissance programme. In 2008/09 the partnership utilised £3.5 million for the benefit of museum audiences in the North East. 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 £2.26 million. Other partners assume direct responsibility for their internal schemes.

On 1 April 2009, Tyne & Wear Museums and Tyne & Wear Archives merged to form a new organisation known as Tyne & Wear Archives & Museums (TWAM). TWAM will be like its two preceding organisations, a joint service of the five local authorities (Newcastle, Sunderland, South Tyneside, North Tyneside, and Gateshead) and will be governed by a new Joint Committee consisting of 15 members drawn from the five constituent councils. A new 10 year Joint Agreement has been drawn up, which lays out the terms and conditions of the relationship and the involvement of central government.

3. SUMMARY OF FINANCIAL RESULTS 2008/09

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

- Gross operating expenditure was £14,970,923 an increase of £1,201,387 (8.7%) over 2007/08.
- The expenditure on core activity was primarily financed by client contributions of £5,947,785 and a Grant-in-Aid (G-i-A) from the Department for Culture, Media and Sport of £2,205,500.
- In 2008/09, TWM received a grant of £2,187,450 from the MLA Council in respect of the Renaissance programme.
- The gross operating expenditure in respect of the Great North Museum (GNM) was £474,310. This was financed primarily by a University contribution of £466,830. Any shortfall of income over expenditure incurred in relation to the GNM is 100% recoverable from the University of Newcastle upon Tyne.
- Gross operating expenditure on projects was £3,679,841. 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 £652,161 while the Archaeology Unit earned £687,799.

4. INCOME AND EXPENDITURE FOR THE YEAR

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

Table 1: Where the Money comes from				
2007/08		2008/09		Change
£000		£000	%	£000
(5,604)	Client Contributions	(5,948)	39.3	(344)
(1,796)	DCMS Grant-in-Aid	(2,206)	14.6	(410)
(2,549)	MLA Renaissance Grant	(2,187)	14.5	362
(2,331)	Other Grants & Contributions	(2,923)	19.3	(592)
(1,430)	Trading Activity	(1,340)	8.9	90
(456)	Other Income	(519)	3.4	63
(£14,166)		(£15,123)	100.0	(£957)

Where the Money comes from 2008/09

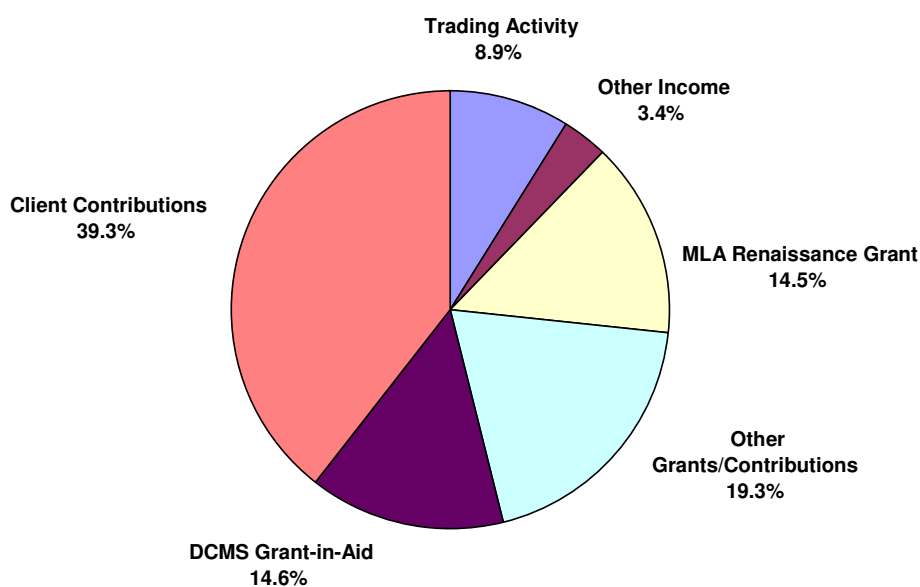
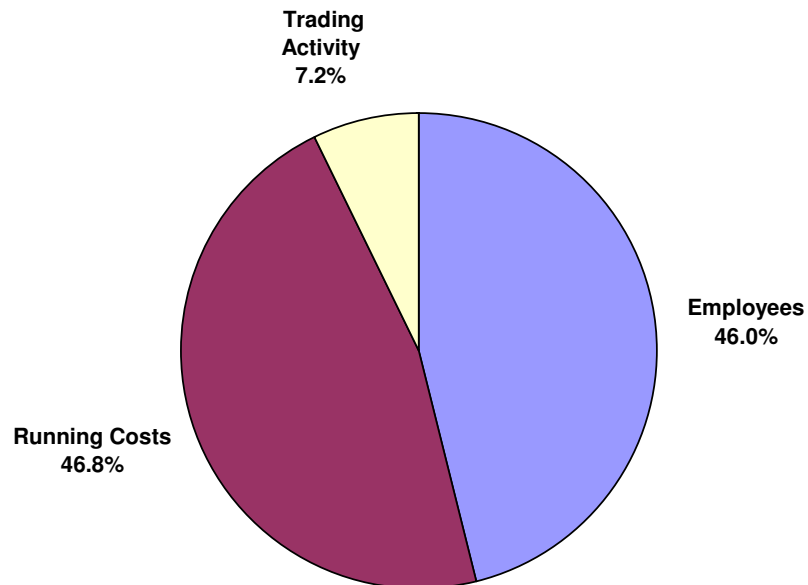


Table 2 illustrates, in broad terms, what the money was spent on:

Table 2: What the Money was spent on				
2007/08		2008/09		Change
£000		£000	%	£000
6,529	Employees	6,888	46.0	359
6,046	Running Costs	7,002	46.8	956
1,195	Trading Activity	1,081	7.2	(114)
£13,770		£14,971	100.0	£1,201

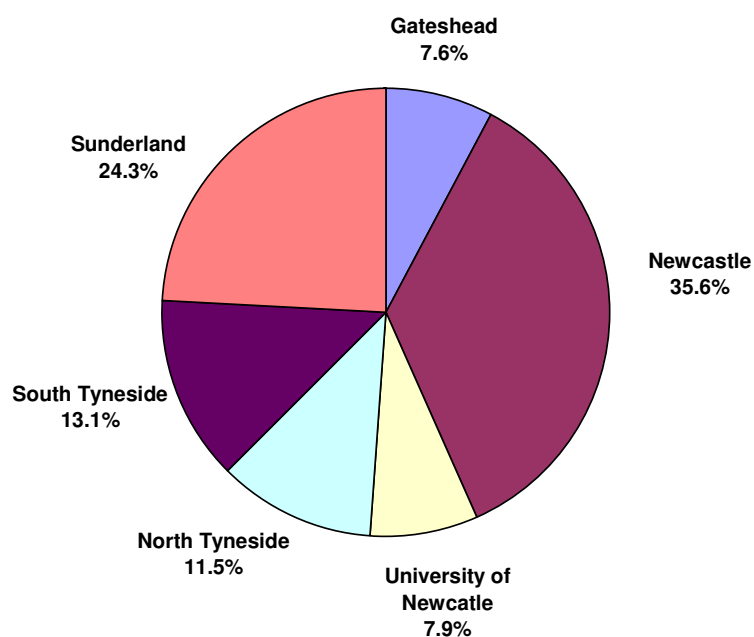
What the Money was spent on 2008/09



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

Table 3: Analysis of Client Contributions			
2007/08		2008/09	Change
£000		£000	%
(430)	Gateshead	(455)	7.6
(2,104)	Newcastle	(2,120)	35.6
(673)	North Tyneside	(683)	11.5
(767)	South Tyneside	(778)	13.1
(1,412)	Sunderland	(1,445)	24.3
(218)	Newcastle University	(467)	7.9
(£5,604)		(£5,948)	100.0

Analysis of Client Contributions 2008/09



5. BUDGET COMPARISON

The Joint Committee's revised budget for core activities in 2008/09 was £6,219,960. The final outturn of £6,191,922 represents an under spend of £28,038, despite a number of significant costs pressures, the most significant of which were:

- Increased costs relating to repairs and renewals managed directly by Gateshead Council in respect of the Shipley Art Gallery and by South Tyneside Council in respect of South Shields Museum and Arbeia Roman Fort, and
- Increased utility costs reflecting the unprecedented increases in the unit cost of utility services experienced during 2008/09.

The impact was more than offset by staff turnover savings particularly in specialist and corporate posts.

6. COMPARISON WITH 2007/08

The increase in TWM's net cost of service of £670,618 (12.1%) between years primarily reflects the growth in the GNM revenue budget in preparation for the re-opening of the Museum on 23 May 2009. Other factors included the unprecedented increases in the unit cost of utility services experienced during 2008/09 and the fact that in 2007/08, the net cost of service was artificially lower due to the successful application for discretionary rate relief at the Laing Art Gallery, which was backdated to 1990 and resulted in a refund of £551,594.

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 2008/09 of £1,000,000 was distributed amongst TWM venues and facilitated minor refurbishment and renewals at many venues. £887,838 of the G-i-A was committed during 2008/09 but not actually spent and has been carried forward to 2009/10.

Expenditure incurred during 2008/09 included:

- Creation of the new *Changing Faces* gallery at South Shields Museum
- Replacement of volunteers accommodation at Stephenson Railway Museum
- Signage and site interpretation at Arbeia Roman Fort
- Environmental improvements to galleries at Sunderland Museum & Winter Gardens
- Contribution towards Great North Museum project
- Replacement of air conditioning at the Laing Art Gallery
- Improvements to the basement workshops at the Shipley Art Gallery

- Purchase of 12 portable audiovisual presentation units distributed to all TWM venues to support events and openings.
- Upgrading of the Wide Area Network (WAN) connections to 5 TWM venues
- Upgrading the data back-up system for core TWM network data and integration with Newcastle City Council's data back-up and offsite storage facilities

8. ACCOUNTING POLICIES

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

9. LOOKING AHEAD

TWM 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

Levels of usage (in person) have remained constant but with increases in the levels of usage by learners. Given the increasingly challenging financial environment, this is considered a creditable performance.

A significant increase is predicted for next year once the Great North Museum: Hancock site is open.

Since the contracting out and development of the new web-site, and standardisation of the statistical analysis software, usage has increased as predicted.

A significant development has been the introduction of a series of podcasts available through the web-site which have been extremely popular.

Whilst it is inappropriate to highlight individual events, The Late Shows, run as part of the European Museums Night and developed by TWM and the Regional Museums Hub in association with Culture10 was a spectacular success last May with over 11,000 participants on one Saturday night across a range of cultural venues.

9.3.2 Awards

Monkwearmouth Station Museum won a bronze award in the *Access for All Tourism* category at One North East's Regional Tourism Awards and Green Apple Plaque in the international *Green Apple Awards for the Built Environment* category.

At the North East Business Awards, TWM was named Public Sector Organisation of the Year for Tyneside and Northumberland and now goes forward to the Regional final in April.

The TWM Podcasts (Culture Cast) series won an award for *Best Podcasting/Webcasting Campaign* category at the North East Digital Awards.

The Explore Your Environment (EYE) project was a finalist in both the North East Business Awards and the North East Digital Awards.

North Face: Photographs from the National Gallery was the winner in the *Renaissance North East* category at the Journal Culture Awards.

9.3.3 Peer Review

TWM volunteered, and was selected to be one of the three DCMS sponsored bodies to undergo a Peer Review devised following Sir Brian McMaster's report on Excellence in the Arts.

The review was carried out by an international panel of experts from cultural and business backgrounds.

The review concluded that TWM's learning and engagement activity was 'world class'. It also had particular praise for management practice and communication activity.

There were a number of particular recommendations to improve other areas of the service, particularly around collections management, organisation vision and international working. These have been accepted and responses developed.

In addition, there were more radical suggestions regarding governance and these will be taken into account in the 2011 review of the joint service.

9.4 Future revenue funding

9.4.1 Pressures on Local Authority Budgets

The merger of TWM with Tyne & Wear Archives Service will release savings to meet efficiency targets, however, financial pressures mean that some of the improved service outcomes will not now be achievable.

The second phase of Single Status job evaluation by the lead authority (Newcastle) remains pending. As noted before, the results of this exercise and the degree of back-dating will inevitably impact significantly on budgets. The single status calculations in respect of Archives staff by Gateshead Council have, however, been completed. 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.

The impacts of the recession are expected to be significant on local authority budgets going forward and planning for a challenging future is underway.

9.4.2 Central Government Funding

The recession is already impacting on the availability of DCMS funding, particularly on capital. In respect to post 2011 funding, there is now unlikely to be another Comprehensive Spending Review until after a General Election so it is necessary to engage in scenario planning for the various possibilities.

The review of the Renaissance Programme is still outstanding and it is impossible to second guess the results of this at this time. There are, however, likely to be significant changes to the nature and management of the programme.

9.4.3 External Funding Prospects

The world recession has impacted on every aspect of our business. The depth and length of the recession is critical here. There will continue to be challenges in terms of raising funds from corporate and charitable sources. Similarly, commercial activity such as archaeological field work will be increasingly hard-won whilst housing and commercial development is atrophied.

Individual, disposable income is obviously restricted, but the promotion of free admission should generate more visitors, albeit spending less per head.

A focus in being developed to increase individual giving from visitors, high net-worth individuals and other private sources.

9.5 Capital Projects

- The major event for the coming year will be the completion of the Great North Museum: Hancock development and the associated off-site storage at Discovery Museum.
- The *Henry Rothschild Study Centre* at the Shipley Art Gallery is now fully funded and this will also be completed within the coming financial year.
- *Creative Spirits* – a new gallery at the Laing Art Gallery is now in the late stages of planning whilst a pre-feasibility study is underway for a longer term major

capital development of the Laing.

- TWAM will continue to work closely with its client authorities to feed into, and contribute to, major spatial developments, particularly in North and South Tyneside.
- A further capital development of the sidings area at Monkwearmouth Station Museum is planned for the coming two years.
- A major re-visioning exercise of Discovery Museum is underway to set the development rationale for the future and a similar exercise is planned for Sunderland Museum & Winter Gardens.

9.6 The Importance of Maintaining Cash Limits

As in previous years, it has become increasingly important to establish and maintain a realistic reserves balance and maintain the ability to earmark this for both future developments and challenges.

10. MAIN STATEMENTS WITHIN THE ACCOUNTS AND THEIR PURPOSE

Tyne & Wear Museums' final accounts for 2008/09 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 2008 requires the inclusion of an Annual Governance Statement (AGS).

Non-Consolidated Accounts

- **Tyne & Wear Museums Development Trust Accounts.** These accounts reflect 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 Joint Committee's 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 & Wear Archives & Museums website at 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 & Wear Archives & Museums (0191 277 2158).

As part of a programme of continuous improvement under Best Value and Comprehensive Area Assessment (CAA) 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 Statement of Accounts summarises the Joint Committee's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP) as published by the Chartered Institute of Public Finance & Accountancy (CIPFA). The accounting convention adopted is historic cost. The SORP is based on approved accounting standards, except where these conflict with specific statutory accounting requirements, so that the Joint Committee's accounts present fairly the financial position and transactions of TWM. 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. Reserves and Provisions

Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to count against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against current year contributions for the expenditure.

Provisions

Provisions are made where an event has taken place that gives the Joint Committee an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Currently the Joint Committee has no provisions.

3. Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- fees, charges and rents due from customers are accounted for as income at the date the Joint Committee provides the relevant goods or services
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet
- works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet
- interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. The Joint Committee has adopted a de minimis level of £500 for creditors. 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.

4. 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, there is a reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. 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 Income & Expenditure Account after Net Operating Expenditure.

5. 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.

6. Employee Costs

The Joint Committee employees are employed by the Lead Authority, Newcastle City Council. 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.

7. The Local Government Pension Scheme

As a result of above, 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 SORP, CIPFA require that the cost of services should bear the current service cost of employees. However, as stated above, the Joint Committee employees are employed by the Lead Authority, Newcastle City Council, therefore, current service cost of these employees is borne by Newcastle City Council and disclosed in Newcastle City Council's accounts.

8. 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.

9. 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.

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

11. Insurance

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

12. 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.

13. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

14. 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.

15. 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.

16. Interest

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

17. Doubtful Debts

The write-off of debt is part of the normal annual accounting process. Write-off is recommended as the debts are unlikely to be collected for a number of reasons, e.g. the death of the debtor, uneconomical to collect, on legal advice or where the debtor is untraceable. Although it is good accounting practice for debts to be written off in the accounts to reflect a more accurate view of the level of the arrears that can be collected, they will still be pursued and recovered if the opportunity arises.

Accounts written off in excess of £2,000 are submitted to the Joint Committee for approval once TWM is satisfied that all appropriate measures have been taken to try to recover the debt. The cost of the write-off is met from the provision for doubtful debts. In addition the Treasurer to the Joint Committee may write-off amounts under £2,000 using delegated powers.

18. 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 Service Level Agreement (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.

19. 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.

20. Events after the Balance Sheet Date

Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts should not be adjusted. The following should be disclosed for each material category of non-adjusting event after the Balance Sheet date:

- the nature of the event, and
- an estimate of the financial effect or a statement that such an estimate cannot be made reliably.

Core Financial Statements

Income and Expenditure Account for the year ended 31 March 2009

The Income & Expenditure Account (I&E) summarises the Joint Committee's financial performance for the year using UK general accounting standards. It includes all day-to-day expenses and related income on an accruals basis.

2007/08 Net Expenditure £		2008/09 Gross Expenditure £	2008/09 Gross Income £	2008/09 Net Expenditure £	Notes
	Cultural & Related Services:				
5,543,119	Museums & Galleries	13,890,089	(7,676,352)	6,213,737	1
5,543,119	NET COST OF THE SERVICE	13,890,089	(7,676,352)	6,213,737	
	(Surplus)/deficit on trading undertakings not included in Net Cost of Service	1,080,834	(1,339,960)	(259,126)	3
(235,059)	Interest and Investment Income	0	(158,705)	(158,705)	10.3
5,207,950	NET OPERATING EXPENDITURE	14,970,923	(9,175,017)	5,795,906	
	AMOUNT MET FROM CONSTITUENT BODIES				
	(429,860) Gateshead Council			(454,730)	
	(2,104,180) Newcastle City Council			(2,120,260)	
	(673,570) North Tyneside Council			(683,420)	
	(767,453) South Tyneside Council			(777,539)	
	(1,411,580) Sunderland City Council			(1,445,006)	
	(217,589) University of Newcastle			(466,830)	
	(5,604,232)			(5,947,785)	
	(396,282) DEFICIT / (SURPLUS) FOR YEAR			(151,879)	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

2007/08 £		Note	2008/09 £
(396,282)	(Surplus)/Deficit for the year on the income and expenditure account		(151,879)
396,282	Net additional amount required by statute and non statutory practices to be debited or credited to the General Fund Balance for the year		151,879
<u>0</u>	Increase in General Fund Balance for the year		<u>0</u>
0	General Fund Balance brought forward		0
<u>0</u>	General Fund Balance carried forward	2	<u>0</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.

2007/08 £		2008/09 £
(396,282)	(Surplus)/Deficit for the year on the income and expenditure account	(151,879)
0	Actuarial (gain)/loss on pension fund assets and liabilities	0
<u><u>(396,282)</u></u>	Total recognised loss/(gain) for the year	<u><u>(151,879)</u></u>

Balance Sheet as at 31 March 2009

31 March 2008		31 March 2009	Notes
£		£	£
	Current Assets :		
134,256	Stock	163,291	
	Debtors :		10.1
	Sundry Debtors		
1,740,833	(Net of Provision for Doubtful Debts)	1,302,225	
1,942,911	Investments	2,094,790	
119,257	Cash at Bank and in Hand	956,457	
<u>3,937,257</u>	Total Assets	<u>4,516,763</u>	
	Current Liabilities :		
1,994,346	Creditors	2,421,973	10.2
<u>1,942,911</u>	Total Assets less Current Liabilities	<u>2,094,790</u>	
<u>1,942,911</u>	TOTAL NET ASSETS	<u>2,094,790</u>	
	Represented by :		
(203,697)	Acquisitions Reserve	(220,578)	
(293,489)	Renewals Reserve	(309,108)	
(67,290)	Business Partners Reserve	(76,074)	
(1,352,072)	Museums Earmarked Balance	(1,427,492)	
(26,363)	Future R&M Reserve	(61,538)	
<u>(1,942,911)</u>	TOTAL NET WORTH	<u>(2,094,790)</u>	11

Cash Flow Statement

2007/08 £		2008/09 £
<u>(252,512)</u>	Net cash inflow/(outflow) from operating activities	<u>(830,374)</u>
	<i>Cash Inflows</i>	
<u>100,110</u>	Interest received	<u>158,705</u>
100,110	Net Cash Inflow from Returns on Investments and Servicing of Finance	158,705
<u>(152,402)</u>	Net Cash Inflow/(Outflow) before financing	<u>(671,669)</u>
	Management of Liquid Resources	
(1,361,624)	Net (increase)/decrease in short-term deposits	(151,879)
0	Net Cash Inflow from Financing	0
<u>(1,514,026)</u>	Increase/(Decrease) in Cash	<u>(823,548)</u>

Note 13 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, Hub and projects.

2007/2008 Actual £		Core Activity		Hub	Projects	Total
		2008/09 Estimate £	2008/09 Actual £	2008/09 Actual £	2008/09 Actual £	2008/09 Actual £
	Expenditure					
6,528,684	Employees	5,043,110	4,810,771	1,513,371	564,370	6,888,512
1,642,040	Premises	1,592,830	1,719,202	0	155,407	1,874,609
148,174	Transport	96,350	109,626	52,964	35,205	197,795
	Supplies and Services					
3,815,778	- General	776,220	978,909	603,589	2,921,994	4,504,492
61,114	- Acquisitions	10,500	30,995	0	0	30,995
285,673	Central Support Services	272,190	258,934	49,122	2,865	310,921
93,299	Recharges	89,290	82,765	0	0	82,765
<u>12,574,762</u>		<u>7,880,490</u>	<u>7,991,202</u>	<u>2,219,046</u>	<u>3,679,841</u>	<u>13,890,089</u>
	Income					
(1,796,017)	DCMS Grant-in-Aid	(1,362,000)	(1,362,000)	0	(843,500)	(2,205,500)
(4,880,130)	Other Grants/Contributions	(18,480)	(162,099)	(2,209,787)	(2,739,061)	(5,110,947)
(355,496)	Other Income	(280,050)	(275,181)	(4,259)	(80,465)	(359,905)
<u>(7,031,643)</u>		<u>(1,660,530)</u>	<u>(1,799,280)</u>	<u>(2,214,046)</u>	<u>(3,663,026)</u>	<u>(7,676,352)</u>
<u>5,543,119</u>	Net Cost of Service	<u>6,219,960</u>	<u>6,191,922</u>	<u>5,000</u>	<u>16,815</u>	<u>6,213,737</u>

2. General Fund Balance

The 2008 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:

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £		2008/09 £
0	Amounts included in I&E account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	0
0	Amounts not included in I&E account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	0
	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.	
(396,282)	Net transfer (to) or from earmarked reserves	(151,879)
<u>396,282</u>	Net additional amount required to be credited to the General Fund Balance for the year	<u>151,879</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.

	£000
Cash Limits	
Interest	(159)
Earmarked Balances	11
Renewals Fund	(9)
Acquisitions Reserve	(5)
Business Partners Reserve	(5)
Repairs & Maintenance Reserve	(33)
Total Cash limit	(200)
Trading Activity	
Museum shops, cafe franchises & gallery hire	33
Archaeology Unit	15
Total Trading Activity	48
Total Movement	(152)

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:

	2007/08	2008/09	Change
	£	£	£
Archaeology Unit	48,261	14,639	(33,622)
Museum shops, cafe franchises & gallery hire	(283,320)	(273,765)	9,555
Net deficit/(surplus) on external trading undertakings	(235,059)	(259,126)	(24,067)

During 2008/09, the Archaeology Unit produced a deficit of £14,639 compared to a deficit of £48,261 in 2007/08. The past financial year was extremely difficult because of the suspension by developers of several large projects and pressure on profit margins because of increased competition in a shrinking market. It was necessary to carry out a restructuring of the Archaeology Unit which involved the following exceptional items:

- costs connected with the closure of the office at Jesmond Cemetery Gates
- redundancy costs
- investment in equipment, mainly a second vehicle.

Despite this expenditure, other savings have achieved a significant reduction in overheads (estimated to be at least 20%) which will allow the Archaeology Unit to remain viable and competitive in challenging economic circumstances. The deficit of £14,639 is covered by the utilisation of reserves. Most of the exceptional expenditure mentioned above was covered by profits achieved on projects in 2008/09.

Despite the difficult trading conditions in 2008/09, gross income earned from museum shops, café franchises & gallery hire was £652,161, an increase of £58,025 (9.8%) compared to 2007/08. However, due to the need to refresh and install new shop fittings, and replace the EPOS system, the net surplus reduced between years by £9,555.

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:

	2007/08 £000	2008/09 £000	Change £000
Ordinary employers contributions (payable to the Tyne and Wear Superannuation Fund)	638	695	57
being percentage of pensionable pay	14.5%	15.2%	0.7%
Added years benefits and related increases	62	68	6
being percentage of pensionable pay	1.4%	1.5%	0.1%
Number of employees in scheme	264	275	11

- The contribution rate in 2008/09 was determined by the Fund's actuary based upon the triennial actuarial valuation at 31 March 2007.
- 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 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		
	2007/08	2008/09	Change
£80,000 - £89,999	1	1	0
	1	1	0

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 2008 SORP requires that all fees payable to the Audit Commission, the auditors of the Joint Committee, are disclosed. The following amounts were payable:

	2007/08	2008/09	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	£17,048	£18,395	£1,347

7. Publicity Expenditure

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

	2007/08 £	2008/09 £	Change £
Recruitment advertising	41,329	63,004	21,675
Exhibition and display advertising	465,860	427,066	(38,794)
Cost of employees who work mainly on publicity	114,221	114,526	305
Total	621,410	604,596	(16,814)

Overall, publicity expenditure has decreased year on year by £16,814 (2.7%). However recruitment advertising costs have increased by £21,675 (52.4%) primarily due to the growth in the number of Hub and externally funded staff posts.

In 2007/08, the higher level of expenditure on publicity was principally attributable to the *I Like Museums* campaign, which was funded by the Hub.

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:

	2007/08	2008/09	Change
	£	£	£
University of Newcastle upon Tyne	(595,526)	(2,091,983)	(1,496,457)
Archaeological Schemes	(56,093)	(22,459)	33,634
Total	(651,619)	(2,114,442)	(1,462,823)

The increase in income earned from the University of Newcastle between 2007/08 and 2008/09 is primarily due to costs recovered in respect of the Great North Museum project and the inclusion of the Hatton Gallery, which TWM is managing for the University as part of the Great North Museum.

The reduction in income earned by the Archaeology Unit in 2008/09 from public bodies reflects an increase in work on Private Finance Initiative (PFI) funded projects where the body procuring the work is from the private rather than public sector.

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 (Note 13.3).

Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. During 2008/09, works and services to the value of

£672,060 and income totalling £2,257,842 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 £25,514 and income totalling £418,728 was received.

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

2008/09			
	Receipts	Expenditure	Total
	£	£	£
University of Newcastle	(2,091,983)	250,000	(1,841,983)
Heritage Lottery Fund	(402,363)	0	(402,363)
Arts Council of England North East	(108,348)	0	(108,348)
Beamish Museum	(24,355)	416,205	391,850
Northern Rock Foundation	(14,245)	0	(14,245)
MLA North East	(13,172)	0	(13,172)
University of Northumbria	(11,911)	0	(11,911)
Centre for Life	(6,000)	0	(6,000)
International Society for the Promotion of Roman Studies	(2,950)	0	(2,950)
Friends of Sunderland Museums	(1,000)	0	(1,000)
Society of Antiquaries of Newcastle	(243)	0	(243)
Lateral Advertising	0	1,280	1,280
Museums Association	0	18,165	18,165
Arbeia Society	0	1,086	1,086
Culture North East	0	3,000	3,000
Institute of Field Archaeologists	0	1,983	1,983
National Trust	0	5,855	5,855
Total	(2,676,570)	697,574	(1,978,996)

10. Financial Instruments

The 2008 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 provision for doubtful debts) at 31 March 2009 is made up as follows:

Net Debtors as at 31.3.2008 £	Classification	Debtors £	Provision for doubtful debts £	Net Debtors as at 31.3.2009 £
25,069	Government Departments	68,350	0	68,350
221,021	Other Local Authorities	30,772	0	30,772
436,606	Other Public Bodies	538,969	0	538,969
1,056,702	Other General Debtors	659,278	(10,658)	648,620
1,435	Sundry Prepayments	15,514	0	15,514
1,740,833	Total Net Debtors	1,312,883	(10,658)	1,302,225

Total debtors have decreased by £438,608 (25%) between years. Despite significant increases in the value (104%) and number (19%) of corporate debtors raised during the year the balance of corporate debtors outstanding at 31 March 2009 reduced by £230,828, reflecting a significant improvement in debt recovery processes. The remainder of the decrease in sundry debtors relates to grant claims settled in respect of externally funded projects including *Dott'07* (One North East), *Design For Life* at the Shipley Art Gallery and *Monkwearmouth Refurbishment* (Heritage Lottery Fund) and The Great North Museum (University of Newcastle).

In 2008/09, the provision for doubtful debts reduced by £21,742 to £10,658, reflecting the successful conclusion of negotiations with the former café franchise holder.

10.1.2 Loans: The carrying amount of loans made by the Joint Committee relates to investments. In 2008/09 this was £2,094,790, compared to £1,942,911 in 2007/08. 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 2009 is made up of trade creditors and income in advance as follows:

Classification	Creditors as at 31.3.2008 £	Creditors as at 31.3.2009 £	Change £
Government Departments	(4,342)	(2,750)	1,592
Other Local Authorities	(141,610)	(75,270)	66,340
Other Public Bodies	(4,839)	(261,234)	(256,395)
Other General Creditors	(159,616)	(148,647)	10,969
Total Creditors	(310,407)	(487,901)	(177,494)
Receipts In Advance	(1,683,939)	(1,934,072)	(250,133)
	(1,994,346)	(2,421,973)	(427,627)

In total, creditors have increased year on year by £427,627 (21%). Whereas the sums owed at the 31 March 2009 to other local authorities has fallen by £66,340, reflecting improvements in calculating on account payments, the sums to other public bodies has grown by £256,395. The majority of this increase relates to the DCMS Capital Grant-in-Aid relating to the Great North Museum which the University of Newcastle claimed very late in 2008/09.

Receipts in advance carried forward to 2009/10 have increased by £250,133 (15%). The principal elements of this sum are the DCMS Capital Grant-in-Aid committed to projects in 2009/10; MLA Renaissance Grant committed in 2008/09 and due to be expended by 30 June 2009; and grants received for the Culture Shock project.

10.3 The gains and losses recognised in the 2008/09 Income and expenditure Account and STRGL in relation to financial instruments relate to interest income. The 2008/09 interest income was £158,705, compared to £100,110 in 2007/08. The increase reflects that the decision to invest earmarked balances and repairs and maintenance reserves was made part way through 2007/08 and that investments increased at the start of 2008/09 by £396,282.

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 2008	Reserve Applied	Contributions to Reserve		Balance as at 31st March 2009
		£	£	From Revenue £	Interest £	£
Acquisitions	11.1	(203,697)	2,458	(7,463)	(11,876)	(220,578)
Renewals	11.2	(293,489)	9,139	(8,760)	(15,998)	(309,108)
Business Partners	11.3	(67,290)	14,692	(19,553)	(3,923)	(76,074)
Earmarked Balances	11.4	(1,352,072)	333,437	(330,032)	(78,825)	(1,427,492)
Repair & Maintenance	11.5	(26,363)	19,933	(52,458)	(2,650)	(61,538)
		(1,942,911)	379,659	(418,266)	(113,272)	(2,094,790)

11.1 Acquisitions Reserve: In 2008/09, 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.

11.2 Renewals Reserve: The table below summarises the movements during 2008/09:

	Access	Archaeology	Information Technology	Transport	RMS	Total
	£	£	£	£	£	£
Balance at 1 April 2008	(5,488)	(144,529)	(15,871)	(121,782)	(5,819)	(293,489)
Reserve Applied	0	9,139	0	0	0	9,139
Contribution to Reserves	0	0	0	(8,760)	0	(8,760)
Interest	(299)	(7,878)	(865)	(6,638)	(318)	(15,998)
Balance at 31 March 2009	(5,787)	(143,268)	(16,736)	(137,180)	(6,137)	(309,108)

11.3 The Business Partners Reserve: In 2008/09, *Connecting through Culture* TWM's business partnership scheme, increased its membership to 27 partners. Income generated from the membership enabled TWM to support ten projects totalling £30,373 with awards of between £1,000 and £5,500 respectively. The breadth of applications was very diverse with projects supported ranging from learning projects, acquisitions to significant exhibitions.

- *Destination Tyne & Wear* £2,500
- *Segedunum Firework Display* £2,500
- *Public Catalogue Foundation* £5,500
- *Something That I'll Never Really See* £2,000
- *Victorian Sunderland* £4,500
- *North East Beat* £5,000
- *70 Years of Penguin Design* £3,200
- *Portrait of A Nation* £2,000
- *Piranesi, Panini and the Lure of Roman* £1,000
- Purchase of Robert John Scott Bertram's - *The Emperor Hadrian's Visit to Pons Aelii* £2,173

11.4 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 £75,420. 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.

25% of Earmarked balances for 2008/09 were utilised during the year. Balances utilised included those earmarked for learning and conservation, market research both of users and non-users, exhibitions, corporate governance, railway operations, events and refurbishment of shops.

11.5 The Repairs and Maintenance Reserve: This reserve holds sums required to carry out essential repairs to museums. In 2008/09, the reserve was increased to £61,538.

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 and female employees have all been stayed pending the outcome of similar test cases going through the Tribunals at present. 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.

2007/08 £		2008/09 £
	<u>Reconciliation Of Surplus/(Deficit) To Net Cash Inflow/(Outflow) From Operating Activities</u>	
396,282	Surplus/(Deficit) For The Year	151,879
	<u>Adjustment for items reported seperately on Cashflow</u>	
(100,110)	Interest and Investment Income	(158,705)
	<u>Items on an Accrual Basis</u>	
(4,394)	(Increase)/Decrease in Stock	(29,035)
(508,887)	(Increase)/Decrease in Debtors	438,608
(35,403)	Increase/(Decrease) in Creditors	427,627
<u>(252,512)</u>	Net Cash Inflow/(outflow) from operating activities	<u>830,374</u>

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

2007/08 £		2008/09 £
(1,514,026)	Increase/(Decrease) in cash in year	837,200
1,361,624	Cash inflow/(Outflow) from management of Liquid Resources	151,879
<u>(152,402)</u>	Change in net debt resulting from cash flows	<u>989,079</u>
2,214,570	Net Debt B/Fwd	2,062,168
<u>2,062,168</u>	Net Debt C/Fwd	<u>3,051,247</u>

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

2007/08 £		2008/09 £
The categories of Government Grant shown in the Cashflow Statement are:		
1,000,000	Capital Activities	1,000,000
1,328,248	Revenue Activities	1,381,862
45,264	European Grants	23,132
<u>2,373,512</u>		<u>2,404,994</u>
Analysis of Government Grants		
1,326,000	DCMS G-i-A	1,362,000
2,248	Access to Work	19,862
<u>1,328,248</u>		<u>1,381,862</u>

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.

Analysis of changes in cash and liquid resources during the year

	2007/08	2008/09	Change In Year
	£	£	£
Short Term Deposits	1,942,911	2,094,790	151,879
Cash	119,257	956,457	837,200
Increase/(Decrease) in year	2,062,168	3,051,247	989,079

14. Events after the Balance Sheet Date

On the 1 April 2009, Tyne and Wear Museums merged with Tyne and Wear Archives to form a new organisation Tyne & Wear Archives & Museums under a new 10-year Joint Agreement between the five constituent authorities of Tyne and Wear - Gateshead, Newcastle upon Tyne, North Tyneside, South Tyneside and Sunderland.

The merger with Tyne and Wear Archives is budgeted to increase the Joint Committee's gross expenditure by £560k in 2009/10, which would represent 4% of the estimated Tyne and Wear Museums' gross expenditure.

15. Date of issue

The Statement of Accounts were authorised for issue by Paul Woods, the Treasurer to the Joint Committee on 19 June 2009 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 other than that disclosed in Note 14.

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:

Chair to the Joint Committee
Dated: 30 June 2009

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 2009 and its income and expenditure for the year ended 31 March 2009.

Signed:

P. V. Woods
Treasurer to the Joint Committee
Dated: 19 June 2009

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 to a reasonable level, thereby facilitating the effective exercise of its functions. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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.

The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA. The Code was reviewed, updated and approved by Joint Committee in February 2009.

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 2009 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, updates the Local Code 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 Residents' Survey, benchmarking of

visitors, performance indicators, VAQAS, Accreditation, DCMS Peer Review 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 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 National Indicators, 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 Great North Museum.

It manages twelve 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 shapes the budget decisions that are 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 roles of the Joint Committee and the members of the Senior Management Team are published on the TWM website.

During 2008/09, work was undertaken to strengthen the awareness and understanding of the roles and responsibilities of Members involved in the TWM Development Trust. Two bespoke briefing documents, "Charity Trustees and their Responsibilities" and "Public Benefit Guidance & Role of Trustees", were prepared in consultation with a Trustee and the Chair of Trustees and associated training was delivered to a special Trustees meeting on 26 February 2009. Further governance improvements are planned for the TWM Development Trust during 2009/10.

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

TWM's Counter Fraud and Corruption Policy was approved in November 2008 by the Joint Committee. In addition to providing advice, information and support to officers, a Fraud Response Plan is included, clearly detailing how concerns regarding suspected instances of fraud and corruption can be reported, and how investigations into suspicions will be conducted and concluded.

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, which was reviewed and updated during 2008/09 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 or registers associated with venues, teams, major projects and significant partnerships. The Strategic Risk Register illustrates the key risks to TWM objectives; risk management is incorporated within services, major projects, key decisions and budget planning. All Risk Registers are reviewed at appropriate time intervals (a minimum of twice a year). The outcome of the Strategic Risk Register reviews is incorporated as appropriate within bi-monthly Monitor report to the Joint Committee and reported to Audit Committee twice a year.

TWM purchases appropriate levels of insurance cover from the insurance market, and participates in the Government Indemnity Scheme.

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.

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.

Regular training is provided to support the effective implementation of their *Terms of Reference*. The work of the 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 autumn 2008, TWM underwent its first *Investors in People* (IiP) biennial review.

This time the organisation submitted itself for the more onerous 'Profile' style review and it surpassed the standard "across" the board in the majority of areas. Whilst areas for improvement were identified, liP Assessors were able to feedback positive messages regarding the effective and inspiring "top managers", the culture of openness and trust, the supportive work environment and the fact that staff and volunteers feel recognised and valued for the contribution they have made.

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 works to increase meaningful consultation with users and other stakeholders in order to assist with the design of services. It has now established three standing consultation groups:

- **The Museums and Galleries Disabled Access Group (MAGDAG):** a group of disabled people serving as advisory body, critical friend and conscience to TWM. The group meets every two to three months at different venues and at other times as projects and initiatives arise. The group currently consists of around fourteen members representing a wide range of disabilities including physical, sensory and learning disabilities and mental health service users.
- **Collective Minds:** a young persons' group informing programme development.
- **The People's Panel:** a group of people from a range of backgrounds created as part of the three-year project with the National Gallery to provide alternative interpretation at the Laing for the major annual exhibitions. This group will be retained to advise on the Laing's policy and practice.

TWM also consults with other diverse groups on a project specific basis and is currently developing plans for implementing participatory evaluation.

TWM were selected by the DCMS to participate in a Peer Review assessment pilot in December 2008. The Review Panel was asked to provide recommendations as to how the museum might meet its goals and enhance its level of excellence. The findings of the Peer Review were published on the DCMS website in March 2009, along with a copy of TWM's self-assessment and TWM's management response to the review. The overall judgement of excellence stated: *Tyne and Wear Museums is a service primarily focussed on making a positive difference to the lives of the local community. Its strong passion for public service and social inclusion is evident throughout the organisation, from the large team of enthusiastic volunteers, right through to the senior management. Many of its outreach and learning programmes are innovative and really superb and can be seen as being of a benchmark standard for excellence in this area.*

TWM was voted Public Sector Organisation of the Year at the North East Business Awards (2009). The judges commented particularly on the strong social and community role of TWM.

TWM maintains a close working relationship with key partners. 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 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.

To improve partnership governance, during 2008/09 TWM adopted a Significant Partnerships Code of Practice. The process included:

- Completing a pilot of the Scorecard Review of all partnership arrangements to assess their significance level.
- Compiling a Partnerships Register showing Scorecard outcomes and identifying "significant" partnerships.
- Creating a Partnerships Governance Checklist which will be applied to all significant partnerships to assess any improvement needs; and
- Approval of the Code by the Joint Committee.

Amongst TWM's significant partnerships are:

- The North East Regional Museums Hub (NERMH) 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 2008. 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 Peer Review panel.
- 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 2008/09 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'.
- The opinion of the MLA's Accreditation Panel on TWM's status in respect of the Accreditation Standard.
- Scrutiny arrangements of the Hub Renaissance Board.
- The Investors in People review.
- The Investors in Children and Investors in Volunteers assessments.
- VAQAS assessment.
- TWM Protection Policy endorsed by the NSPCC Staying Safe Commitment 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 item was identified as a significant internal control issue within the 2007/08 Annual Governance Statement. Whilst considerable progress has been made during 2008/09 to address the issue, the improvements are not yet considered resolved sufficiently for the issue to be no longer considered as significant. The following actions are proposed to resolve the issue during 2009/10.

Issue	Action taken / planned to resolve the issue
IT Business Continuity and Disaster Recovery	In 2008/09, systems have been put in place to ensure that TWM core data is protected by a secure back up procedure on a daily basis. This includes an off site back up. However, the TWM IT recovery plan needs to be fully tested. Discussions are ongoing regarding the long term

	<p>data management options for TWM with advice and guidance from IT Newcastle. The recruitment of a post with specific responsibility for managing and developing and supporting the implementation of TWM's ICT procedures, policies and strategies is a priority.</p>
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This issue is managed within TWM's *Improvement Plan* with regular monitoring provided by the Senior Management Team and the Audit Committee.

It is proposed, over the coming year, to take steps to address the above matter 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 2008/09, TWM implemented the following to strengthen its corporate governance environment:

- a dedicated TWM Counter Fraud and Corruption Policy providing advice, information and support to officers and promoting a consistent appropriate response to suspected fraud cases;
- a tailored training programme for the Audit Committee;
- new procurement procedures and training;
- an Income and Debt Management Policy;
- a bespoke induction session for Trustees of the Tyne and Wear Museums Development Trust;
- a Code of Practice for Significant Partnerships;
- Risk leaflets for managers, staff & volunteers to ensure everyone in TWM understands the importance of managing risk.

The annual review of effectiveness has highlighted the following improvement areas which will be the focus of the organisations improvement plan for 2009/10, and take into account the merger with Tyne and Wear Archives from 1 April 2009. The merged organisation will be called Tyne & Wear Archives & Museums (TWAM):

2009/10 Improvement Areas	Action taken/planned to resolve the issue
Promote high standards of conduct and behaviour	An awareness raising programme in relation to gifts, hospitality, interests, whistle-blowing and counter fraud, to ensure that every employee within TWAM is aware of the importance of the Code of Conduct. In addition, the aim is to develop and promote TWAM's reputation as a quality organisation and to ensure the integrity of our employees by developing our own Staff Handbook.
Defining and documenting the roles and responsibilities of the Joint Committee	Following the merger with Tyne and Wear Archives and the creation of a new Joint Committee work with members to develop clear statement of roles and responsibilities, and identify training requirements.
Information Governance	The merger with Tyne and Wear Archives has provided an opportunity to significantly improve information governance arrangements. A framework will be developed for handling information in an effective, appropriately confidential and secure manner in line with ethical, quality and legal obligations. The framework will include data quality, records management, information security, including encryption guidance and secure disposal of waste
Project Management	Develop project management guidelines to ensure that appropriate document configuration procedures are in place for all TWAM projects
Customer Care	Building on the Customer Care Charter and mystery shopper processes, TWAM will develop new online customer feedback and evaluation systems, develop the use of mystery shopper assessments and explore the use of innovative participatory consultation methodologies. TWAM will also develop work with customer service teams in the five Tyne and Wear authorities.

<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"> ○ Establish TWAM's profile in terms of VFM; ○ Draw out and identify strengths, good examples and evidence of VFM at TWAM; ○ Identify areas and actions for improving VFM. <p>TWAM 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>
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We also propose to take steps to address the following improvement areas identified as part of the annual review of effectiveness to further enhance our governance arrangements.

- Instigate annual feedback to staff in relation to Annual Governance Statement outcomes to increase awareness of corporate governance process
- Implement recommendations arising from 2008 liP assessment and DCMS Peer Review
- Carry out further work to strengthen and build on the introduction of the Code of Practice for Significant Partnerships including training.
- Work with district stakeholders to review SLA arrangements
- Actively seek new ways to engage with non and potential museum users to increase the likelihood that NI10 survey participants are museum users, including increasing engagement through promotional strategies, new audience development work, and exploiting the advantages of 12 venues.
- TWAM is working with officers from Newcastle City Council to develop its Business Continuity Plans. Work is progressing to strengthen our business continuity arrangements, processes and documentation at both the corporate and venue level. As part of this work a Business Continuity Management Policy will be developed to provide a framework for improving our resilience to disruptions in order to maintain the delivery of our critical services and functions. The policy will set out the framework for the development, implementation, testing and review of our business continuity plans.

7. Conclusion

The governance (and internal control) environment operating during 2008/09 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 the item listed in section 5: *Significant Governance Issues*, the arrangements are in place and operating as planned.

Paul Woods
Treasurer to the Joint
Museums Committee

Date:

Alec Coles
Director of
Tyne & Wear Museums

Date:

Chair of the
Joint Committee

Date:

Draft 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 2009 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 2009 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 2009.

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

Non-Consolidated Statements

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED
31 MARCH 2009**

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2009	<i>Total Funds 2008</i>
		£	£	£	£
Incoming Resources (Note 3)					
Incoming resources from generated funds					
Voluntary Income	3a	(20,701)	(64,900)	(85,601)	<i>(137,467)</i>
Investment Income	3b	(1,842)	(14,388)	(16,230)	<i>(14,803)</i>
Incoming resources from charitable activities					
		0	0	0	0
Other incoming resources					
		0	0	0	0
TOTAL INCOMING RESOURCES		(22,543)	(79,288)	(101,831)	(152,270)
Resources Expended (Notes 4 - 6)					
Costs of generating funds					
Charitable Activities	4a	7,970	61,435	69,405	<i>116,151</i>
Governance Costs	4b	332	3,896	4,228	<i>3,219</i>
TOTAL RESOURCES EXPENDED		8,302	65,331	73,633	119,370
Net Incoming Resources		(14,241)	(13,957)	(28,198)	(32,900)
Investment gains/losses		0	0	0	0
NET MOVEMENT IN FUNDS (Note 7 & 8)		(14,241)	(13,957)	(28,198)	(32,900)
		Unrestricted Funds	Restricted Funds	Total	
		£	£	£	
Fund Balances at 1 April 2008		(51,509)	(226,880)	(278,389)	
Fund Balances at 31 March 2009		(65,750)	(240,837)	(306,587)	

The notes on pages 59 to 67 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2009

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2009	Total Funds 2008
		£	£	£	£
Fixed Assets					
Tangible Fixed Assets		0	0	0	0
Total Fixed Assets		0	0	0	0
Current Assets					
Debtors & Prepayments		0	0	0	0
Investments		(65,750)	(240,837)	(306,587)	278,389
Cash at Bank & In Hand		0	0	0	
Total Current Assets		(65,750)	(240,837)	(306,587)	278,389
Creditors: amounts falling due within 1 year		0	0	0	0
Net Current Assets/ (liabilities)		(65,750)	(240,837)	(306,587)	278,389
Total assets less current liabilities		(65,750)	(240,837)	(306,587)	278,389
Creditors: amounts falling due after more than 1 year		0	0	0	0
Total Net Assets		(65,750)	(240,837)	(306,587)	278,389
Funds of the Trust					
Unrestricted funds	8	65,750	0	65,750	(51,509)
Restricted income funds	7	0	240,837	240,837	(226,880)
Total Funds		65,750	240,837	306,587	(278,389)

Approved by the Trustees on2009

Chair of Trustees
Tyne and Wear Museums Development Trust

The notes on pages 59 to 67 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 Trusts investments represent its cash balances.

3. Analysis of incoming resources

3a: Voluntary Income	2009		2009 Total Funds	2008 Total Funds
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Esmée Fairbairn Foundation: <i>Shingley Lates</i> (Shingley Art Gallery)	0	(10,000)	(10,000)	0
Northern Rock Foundation: <i>Our Way- British Sign Language (BSL) in Museums & Galleries</i> (Tyne and Wear Museums)	0	0	0	(12,500)
Northern Rock Foundation: <i>Victorian Sunderland</i> (Sunderland Museum and Winter Gardens)	0	(10,000)	(10,000)	0
Pilgrim Trust	0	(5,000)	(5,000)	0
Charles Hayward Foundation <i>Jackie Milburn Restoration</i> (Stephenson Railway Museum)	0	(15,000)	(15,000)	0
Public Donations: <i>Great North Museum- Be Part of It</i>	0	(9,299)	(9,299)	(36)
<i>Public Donations:</i>	(20,573)	0	(20,573)	(63,429)
<i>General Fund-raising</i>	(128)	0	(128)	(502)
Shingley Trust: <i>Designs for Life</i> (Shingley Art Gallery)	0	0	0	(36,000)
Northern Rock Foundation: <i>Remembering Slavery</i> (Tyne and Wear Museums)	0	0	0	(15,000)
Gillian Dickinson Trust <i>Culture Shock</i> (Tyne and Wear Museums)	0	0	0	(10,000)
Sir James Knott Trust <i>North East Beat</i> (Tyne and Wear Museums)	0	(5,000)	(5,000)	0
Public Catalogue Foundation <i>Balance of Sales</i> (Tyne and Wear Museums)	0	(3,601)	(3,601)	0
John George Joicey Bequest <i>Boxes of Delight</i> (Tyne and Wear Museums)	0	(3,000)	(3,000)	0
Newcastle City Council Lord Majors Fund <i>Discovery Revisioning</i> (Discovery Museum)	0	(4,000)	(4,000)	0
Total	(20,701)	(64,900)	(85,601)	(137,467)

3b: Investment Income	2009		2009 Total Funds	2008 Total Funds
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Bank Interest	(1,842)	(14,388)	(16,230)	(14,803)
Total	(1,842)	(14,388)	(16,230)	(14,803)

4. Analysis of resources expended

4a: Charitable activities	2009		2009 Total Funds	2008 Total Funds
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Catherine Cookson Charitable Trust: South Shields Museum: <i>Redevelopment</i>	0	0	0	14,095
Shipleigh Trust: Shipleigh Art Gallery <i>Designs for Life</i>	0	0	0	36,229
Esmée Fairbairn Foundation: Shipleigh Art Gallery <i>Designs for Life</i>	0	0	0	10,064
Esmée Fairbairn Foundation: Shipleigh Art Gallery <i>Shipleigh Lates</i>	0	10,102	10,102	0
Northern Rock Foundation: Tyne and Wear Museums <i>Remembering Slavery</i>	0	0	0	15,095
<i>Andrew Weir Shipping</i> Tyne and Wear Museums <i>Regional Museums Store</i>	0	0	0	11,674
Northern Rock Foundation: Shipleigh Art Gallery: <i>Contemporary Craft Gallery</i>	0	0	0	1,179
Northern Rock Foundation: Sunderland Museum and Winter Gardens <i>Victorian Sunderland</i>	0	10,102	10,102	0
Charles Hayward Foundation Stephenson Railway Museum <i>Jackie Milburn Restoration</i>	0	7,717	7,717	0
WA Handley Charity Trust: Tyne and Wear Museums: <i>Museums Fortnight Fest.</i>	0	0	0	135
Northern Rock Foundation: Shipleigh Art Gallery <i>Northern Rock Craft Acquisition Fund</i>	0	4,288	4,288	13,181
Northern Rock Foundation: Tyne and Wear Museums Our Way - British Sign Language (BSL) in Museums and Galleries	0	25,255	25,255	0
Newcastle City Council Lord Majors Fund (Discovery Museum) <i>Discovery Revisioning</i>	0	2,909	2,909	0
Public Catalogue Foundation Tyne and Wear Museums <i>Public Catalogue Foundation</i>	0	1,062	1,062	0
Public Donations Tyne and Wear Museums	7,970	0	7,970	14,499
Total	7,970	61,435	69,405	116,151

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

4b: Governance Costs	2009		2009 Total Costs	2008 Total Costs
	Unrestricted Funds	Restricted Funds		
	£	£	£	£
Auditors Fee	118	1,382	1,500	1,250
Other	214	2,514	2,728	1,969
Total	332	3,896	4,228	3,219

5. Support Costs

Support cost type	Charitable Activity	Governance Costs	Total Costs
	£	£	£
General Finance & Administration tasks	2,730	0	2,730
Preparation of Annual Accounts	0	1,221	1,221
Completion of Charity Returns	0	231	231
Preparation of Annual Report	0	100	100
Travel & Training	0	298	298
Other Report Preparation & Attendance at Trustee meetings	0	878	878
Total	2,730	2,728	5,458

The Trust does not employ any staff directly. Employees of Newcastle City Council employed on behalf of Tyne and Wear Museums undertake duties on behalf of the Trust as part of their employment, as the Trust was created to support and assist the museums and galleries administered by TWM. Duties include preparing the accounts and annual report, fund-raising and general administration. The time spent of Trust duties is recorded and recharged to the Trust on an at cost basis.

6. Investment Assets

Analysis of investments	Value at year end	Income from investments for the year
	£	£
Investments	(306,587)	(16,230)
Total	(306,587)	(16,230)

7. Restricted Funds Movement in Year

Ref	Fund Names	Balance at 1 April 2008 £	Incoming Resources £	Outgoing resources £	Investment gains £	Balance at 31 March 2009 £
1	Andrew Weir Shipping: Regional Museum Store: <i>Conservation</i>	(6,440)	0	0	0	(6,440)
2	Northern Rock Foundation: Shipley Art Gallery: <i>Craft Acquisition Fund</i>	(126,962)	0	4,245	0	(122,717)
3	Northern Rock Foundation: Tyne and Wear Museums <i>Our Way- British Sign Language (BSL) in Museums & Galleries</i>	(25,000)	0	25,000	0	0
4	Northern Rock Foundation: Tyne and Wear Museums <i>Victorian Sunderland</i>	0	(10,000)	10,000	0	0
5	Garfield Weston Foundation: Sir James Knott Trust: Catherine Cookson Charitable Trust: Public Donations Charles Hayward Foundation Pilgrim Trust Stephenson Railway Museum <i>Jackie Milburn Restoration.</i>	(30,000) (5,000) (3,000) (2,832) 0	0 0 0 (15,000) (5,000)	0 0 0 7,639 0	0 0 0 0 0	(30,000) (5,000) (3,000) (2,832) (7,361) (5,000)
6	Public Donations: <i>Regional Resource Centre GNM- Be Part of It</i>	(30) (36)	(9,299)	0	0	(30) (9,335)
7	Gillian Dickinson Trust <i>Culture Shock</i>	(10,000)	0	0	0	(10,000)
8	Esmée Fairbairn Foundation Shipley Art Gallery: <i>Shipley Lates</i>	0	(10,000)	10,000	0	0
9	Sir James Knott Trust <i>North East Beat</i>	0	(5,000)	0	0	(5,000)
10	Restoration of Paintings <i>Balance of Sales PCF</i>	0	(3,601)	1,062	0	(2,539)
11	Trustees of John George Joicey Bequest <i>Boxes of Delight</i>	0	(3,000)	0	0	(3,000)
12	Newcastle City Council Lord Mayors Trust <i>Discovery Re-visioning</i>	0	(4,000)	2,879	0	(1,121)
13	Reserves	(17,580)	0	4,506	(14,388)	(27,462)
	Total Funds	(226,880)	(64,900)	65,331	(14,388)	(240,837)

Notes on future use of restricted funds

Ref: 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 £2,500 of the funding will be utilised in 2009/10 on further work on the Doxford engine, which will be matched by volunteer input.

Ref: 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 Middlebrough 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 appointment of a Keeper of Art has ensured this project is now progressing satisfactorily. 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.

Ref: 5. 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). The Fund is holding money which was donated to the project in advance of the formal start of the project. Work in 2008/09 was predominantly focused on offsite repair work to the boiler and firebox. This work is substantially complete at the end of March 2009 and the boiler will be returned to Stephenson Railway Museum in the summer of 2009 for the final onsite restoration works.

Ref: 6. Public Donations: Regional Resource Centre / Great North Museum – Be Part of It campaign

These donations from the public will be expended on the specified projects. This includes donations generated by the *Be Part of It* campaign at the Great North

Museum: Hancock. This income will be used to support the delivery of inspirational learning and community programmes for children and families at the new museum.

Ref: 7. Gillian Dickinson Trust: Culture Shock

Fundraising for Culture Shock was completed in March 2008 and main project activity began in September 2008. Over 100 digital stories have now been created. The funding will be drawn down, as required for project cash flow, in the period June 2008 - September 2010, with the main drawdown likely to be in the period April - September 2010.

Ref: 9. Sir James Knott Trust: North East Beat Musical History

The sum of £5,000 has been awarded to this project. North East Beat celebrates the vibrant musical history of Tyne and Wear from the 1940's to the current day. The main element is a touring exhibition. TWM's Outreach team will deliver three projects at Newcastle, Sunderland and South Shields. They will work with hard to reach young people and will tailor each project to the individual groups' interests with the aim of engaging them with the exhibition and the theme of music. The donation will be utilised within 2009/10.

Ref: 10. Restoration and conservation of oil paintings

The balance of the sales proceeds from *Oil Paintings in Public Ownership in Tyne & Wear Museums* has been placed in a restricted fund to be used for the restoration and conservation of oil paintings in TWM's collections

Ref: 11. John George Joicey Bequest: Boxes of Delight

Tyne & Wear Archives & Museums runs a free artefact loans box service for schools and other educational establishments. Boxes have been developed and improved over many years to engage and involve children, young people and their teachers in high quality and stimulating hands-on learning experiences. An annual contribution of £3,000 has been offered by the Trustees of the John George Joicey Bequest for the continued enhancement and development of TWM's loans box scheme.

The first £3,000 was released in November 2008, allowing for developments to take place over the following 10 months. Developments will be reported on at the annual Trustees meeting each autumn before a decision is made to release further funding. This timescale allows for initial consultation with teachers over themes, in addition to sourcing of objects. This then allows for a window of six weeks during the summer to complete new boxes and upgrade existing boxes whilst schools are closed, enabling TWM to utilise all funds before the annual Trustees meeting.

Ref: 12. Newcastle City Council Lord Mayors Trust: Discovery Re-visioning

As part of the redevelopment of Discovery Museum to ensure that it continues to be relevant to users and communities, a major consultation and evaluation exercise is taking place in 2009/10. This involves using participatory evaluation techniques to consult with current and potential visitors, funders, stakeholders, experts and specialists. The sum in the Trust identified for Discovery Re-visioning

will be spent across financial years 2009/10 and 2010/11 as part of the development of this consultation which will inform funding bids to be submitted in 2010/11 for redevelopment works. The consultation will allow effective prioritisation of the redevelopment programme.

Ref: 13. Reserves

In accordance with the Reserves Policy, the reserve is maintained at a level estimated to meet the audit and administration fees for the next three years. The Reserve is drawn from interest which is earned on the unallocated Trust donations.

8. Un-restricted Funds: Movement in Year

Ref	Fund Names	Balance at 1 April 2008 £	Incoming Resources £	Outgoing resources £	Investment gains £	Balance at 31 March 2009 £
1	Fundraising: <i>General</i>	(502)	(127)	0	0	(629)
2	Public Donations: <i>General</i>	(51,007)	(20,574)	6,460	0	(65,121)
3	Investment Income	0	0	1,842	(1,842)	0
	Total Funds	(51,509)	(20,701)	8,302	(1,842)	(65,750)

Public donations will be utilised to further the objectives of the individual museum 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.

Trustees have direct control over the Trust’s financial and operating policies. During 2008/09, the Trust did not receive any funding or make any payments to any organisation in which any Trustee had an interest.