



The Museums, Libraries and Archives Council

Combined annual report and financial statements for the year ended 31 March 2007

A company limited by guarantee

The Museums, Libraries and Archives Council
Victoria House
Southampton Row
London WC1B 4EA

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The Museums, Libraries and Archives Council (MLA) is the lead strategic agency for museums, libraries and archives. We are part of the wider MLA Partnership, working with the nine regional councils to improve people's lives by building knowledge, supporting learning, inspiring creativity and celebrating identity. The Partnership acts collectively for the benefit of the sector and the public, leading the transformation of museums, libraries and archives for the future.

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Introduction

Who we are and what we do

The Museums, Libraries and Archives Council (MLA) is the lead strategic agency for museums, libraries and archives in England. The MLA is a Non-Departmental Body (NDPB), sponsored by the Department for Culture, Media and Sport (DCMS), it is constituted as a company limited by guarantee and registered as a charity with the Charity Commission.

Our vision:

Connecting people to knowledge and inspiration.

Our purpose:

To improve people's lives through access to collections and resources – building knowledge, supporting learning, inspiring creativity and celebrating identity

Our funding and how we spend it

Most of our funding comes from DCMS in the form of general Grant in Aid or grants to support specific programmes. We also receive specific grants from other government departments and agencies. We manage Lottery Fund supported programmes and we administer awards from other charitable bodies. The money is spent supporting activities by other bodies, institutions and individuals through grant awards, on research and advocacy and on managing these programmes. During 2006/07 expenditure on these activities totalled £51.3 million, split between our principal objectives as follows:

	£ million
Increasing and sustaining participation	16.3
Putting museums, libraries and archives at the heart of national, regional and local life	3.2
Establishing a world class and sustainable sector	26.0
Leading sector strategy and policy development.	5.8

Further information is available in the Financial Statements on pages 18 to 49.

Working in partnership

In 2006 the MLA Council and the nine regional councils that it funds, came together to establish the MLA Partnership. The MLA Partnership boosts the individual organisations' potential in developing museums, libraries and archives across England as a whole. Unified by a single plan and a common identity we have a greater presence and effectiveness, speaking with one voice to government and others who fund the sector. The formation of the Partnership allows more effective use of resources to manage national programmes and successfully implement strategies to achieve our shared objectives.

The development of other strong partnerships remains a key role for the MLA and in 2006/07 we continued to work closely with other funding and cultural agencies – including BIG Lottery Fund, Heritage Lottery Fund, Arts Council England, the British Library, the national museums, The National Archives, English Heritage and Sport England.

Sustainable communities

The MLA acknowledges that our sector's contribution to sustainable communities is often more effectively achieved as part of a wider offer from culture and sport. In 2006 we set out a joint agreement – with the Department for Communities and Local Government (DCLG), DCMS, Sport England, Arts Council England, English Heritage, CABE (the Commission for the Built Environment) and the Regional Cultural Consortia – to state our shared commitment to embedding culture in the development of our communities. The aim of the agreement is to fulfil our shared vision by ensuring all communities, particularly those experiencing housing-led growth and regeneration, can benefit from cultural and sporting opportunities.

Museums, libraries and archives and local government

The role our sector can play in the context of civil renewal and community cohesion was outlined by the MLA in our response to the local government white paper, *Sustainable and Prosperous Communities*. With two thirds of the population already using museums, libraries and archives, we demonstrate how the sector helps people celebrate their sense of community.

Local government is a key delivery partner for our sector. The MLA works closely with a range of stakeholders to ensure museums, libraries and archives are taken into account in communities policy development. Nationally, MLA works with the DCMS and other government departments, including DCLG, who are responsible for local government policy. We also work with national local government bodies such as the Local Government Association and the Improvement and Development Agency. The Partnership's Regional Councils work directly with local authorities and also seek to influence the Regional Economic Strategies and Regional Spatial Strategies.

Sector and professional bodies

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

Grant making policy

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

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

Spending the taxpayer's money effectively

There has been no indexation of Baseline Grant in Aid since 2000. Increases since then have been to fund new responsibilities. The cost effective management of this funding and the national programmes *Renaissance in the Regions* (the regeneration of England's regional museums) and *Framework for the Future* (a strategy for public libraries in the 21st Century) have been achieved by constantly seeking efficiency gains and focussing on the achievement of value for money.

How we are held to account

We account to DCMS through Funding Agreements which set out how we will help the Department deliver on its Public Service Agreement targets. We comply with Companies House and Charity Commission filing and reporting requirements.

Board minutes and papers are published with other management documents and regular updates on our activities and plans on our website www.mla.gov.uk.

As a public authority we are bound by and actively comply with the provisions of the Freedom of Information Act.

Report of the Council

Legal status

The Museums, Libraries and Archives Council (MLA) is a company limited by guarantee (number 03888251) and is also a registered charity (1079666). MLA's registered office is at Victoria House, Southampton Row, London WC1B 4EA.

MLA's governing instrument is its Memorandum and Articles of Association. A joint Management Statement and Financial Memorandum sets out the framework for the accountability relationship with the DCMS. A Funding Agreement between DCMS and MLA sets out agreed priorities and targets over a several year period. Activities during 2006/07 fell within the scope of the Funding Agreement for the two years 2006/07 to 2007/08.

Councillors and officers

MLA's Councillors are the statutory directors of the company and trustees of the charity. They, and the Chairman are appointed by the Secretary of State for Culture, Media and Sport. There can be a maximum of fifteen Councillors. The following Councillors served in the year to 31 March 2007:

Councillors who served from 1 April 2006 to 31 March 2007		Councillors who served from 1 October 2006 to 31 March 2007		Councillors who served from 1 April 2006 until 30 September 2006	
Mark Wood	Chairman	Geoffrey Bond		David	Barrie
Sir Geoffrey	Holland	Sarah Carthew		Lynne	Brindley
		Roy Clare		Ajay	Chowdhury
		Alex Cunningham		Lloyd	Grosssman OBE
		Nick Dodd		Sir David	Henshaw
		Yinnon Ezra		Nick	Kingsley
		Dr Helen Forde FSA		Dr Bob	McKee
		John Hicks		Michael	Stevenson
		Glen(ville) Lawes		Virginia	Tandy
		Sara Selwood		Alan	Watkin
		Professor John Tarrant			
		Mike Walsh			
		Robert Wand			

At an Extraordinary General Meeting held on 18 January 2006 the company agreed radical changes to the Memorandum and Articles of Association which took effect on 1 October 2006. Since that date the Council has consisted of 6 independent Councillors and the Chairs of the nine independent Regional Museums, Libraries and Archives Councils - MLA East of England, MLA East Midlands, MLA London, MLA North

East, MLA North West, MLA South East, MLA South West, MLA West Midlands and MLA Yorkshire. All of the new councillors were recruited by the Public Appointments Unit in DCMS with strict adherence to the Nolan principles.

All of the newly appointed Councillors have received a formal induction and written guidance on their roles and responsibilities as directors of the company and trustees of the charity. The opportunity has also been offered to meet staff and discuss current issues.

The Council met six times during the year. Individual Councillors also made a number of visits to museums, galleries, libraries and archives in the UK and beyond.

The Council determines MLA's strategy and considers and approves proposals for new policies or variations in existing policies. Annual budgets and business plans and the corporate plan are subject to Board approval. The Council appoints the Chief Executive and the company secretary. The Chief Executive throughout the year was Chris Batt while the office of company secretary was held by Terry Marshall until 1 October 2006 and Jane Harwood thereafter.

Chris Batt heads an establishment which at 31 March 2007 totalled 67 full time equivalents (ftes) including vacant posts. In addition a further 11 ftes are employed in posts funded by programme funding that is in addition to the DCMS baseline grant. This establishment is structured into 4 divisions, led by the directors of Policy, Operations, Marketing & Communications and the Head of Corporate Services. These four executives, together with the Chief Executive and Deputy Chief Executive comprise the Executive Board which meets most weeks, chaired by the Chief Executive or a nominated deputy. The senior managers meet with the Executive Board as the Business Management Group once each month.

Staffing matters

MLA is accredited as an Investor in People and is committed to that standard's principles, including development of its people and effective communication. Teams have regular meetings and staff are regularly briefed on discussions at Business Management Group, Executive Board and Council meetings. MLA recognises the trade union, Prospect, for the purpose of collective bargaining. The Joint Consultation and Negotiation Committee meets quarterly with additional ad hoc meetings as required. MLA is committed to a policy of diversity and equality of opportunity and is currently developing a single equality scheme that will be implemented throughout the MLA Partnership.

Remuneration report

The Human Resources and Remuneration Committee, membership of which is shown below, meets at least three times per annum in order to consider staff pay and employment issues including, health and safety, DDA compliance, diversity and equality and workforce development. It advises on the overall strategic direction of the MLA's Human Resource and Organisation Development Policy.

The remuneration of the CEO and senior managers is fixed on an annual basis by a sub-group of the Committee made up of the Chair of the Human Resources and Remuneration Committee and the Chair of the MLA Board. The sub-group takes full account of recommendations made by the Senior Salaries Review Body together with movements in market remuneration rates and any other factors that it considers to be timely and relevant. In addition it considers the performance of each individual senior manager as documented in their annual appraisal.

Senior manager's appraisals are conducted by the CEO or Deputy CEO. They consider the manager's performance against personal objectives and organisational values and grade them on a 3 point scale. The CEO's appraisal is conducted by the Chairman.

Details of the senior manager's contracts and remuneration are set out in notes 10 and 11 to the accounts.

Members of the Human Resources and Remuneration Committee

Sir Geoffrey	Holland	Chairman	John	Hicks	
Sarah	Carthew		Mike	Walsh	
Alex	Cunningham		Mark	Wood	Chairman MLA Council

Register of Interests

MLA maintains a register of financial interests of its Councillors which is published on MLA's website and is available for public inspection by appointment at Victoria House, Southampton Row, London WC1B 4EA. Copies can also be provided by post.

Objectives

During 2006/07 the MLA pursued four principal objectives that it shared with the MLA Partnership.

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

Relationships between MLA and related parties

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

Review of the year and plans for future periods

During the year MLA awarded grants with a total of £42.1 million (2006: £41.4m). Further information is set out in notes 7 and 26 to the accounts.

Museums

Renaissance

In 2006/07 the MLA managed the fourth full year of Renaissance, the programme designed to transform museums by changing how they work, how they care for collections and interact with their audiences. During the year £24.1m of funding was awarded to its network of 'hubs' bringing the total amount to date to £64.7m. The hubs are set up in the nine English regions and act as flagship museums that develop museum services and promote good practice. Renaissance has:

- Increased visits to museums: in 2006/07 the number of visits to hub museums exceeded 13.5 million, an increase of 14% since 2002/03.
- Ensured more schools than ever before are using museums to inspire children to learn. Over the past four years school visits by children in the 5-16 year age group increased by nearly 18%.
- Reached new audiences: in 2006/07 hubs attracted 450,000 new users from non-traditional audiences.
- Supported teachers: teachers are increasingly finding museums to be an invaluable resource. In addition to visits with classes, in 2006/07 there were nearly 16,000 instances of teachers contacting museum hubs for INSET training, secondments and the development of learning resources at museums or off-site.
- Taken museums to the people: over the past four years there has been a nine-fold (885%) increase in the instances of children participating in outreach activities organised by Hub museums off site. In 2006/07 there were 432,242 instances of 5-16 year olds participating in such activities and 162,485 instances of adults participating in outreach activities.
- Put museums at the heart of the community: during 2006/07 almost 4,000 adult community groups have participated in hub museum activities on and off site.
- Created new posts: at March 2007 almost 500 new posts had been funded and this will rise to almost 600 by March 2008. These posts are focused on improving services to visitors, particularly young people and those from non-traditional audiences.

- Invested in Subject Specialist Networks: the establishment of 13 new networks during the year means that we now have a total of 52 networks that enable museums from across the country to pool information and resources and see what they can achieve as a group rather than individually.

Understanding the Future

With support from the museums sector, the MLA will be preparing an action plan to deliver the priorities of *Understanding the Future*, the Government's report on museums. These priorities include museums fulfilling their potential as learning resources, their role in celebrating the identities of diverse communities, ensuring collections are more dynamic, the development of the museum workforce and closer partnerships between museums and organisations outside the sector.

Designation Challenge Fund

In April 2006 the Designation Challenge Fund awarded £3.6 million to collections recognised as having outstanding national and international importance, to raise the profile of the collections and attract more visitors. By 2008, £12.8m will have been invested through this fund.

Libraries

In February 2007 the MLA launched a major consultation exercise to develop a shared universal understanding of the role of the modern public library and its core services. *A Blueprint for Excellence* describes a shared universal understanding of the role of the modern public library –

- The library as an inclusive and accessible destination,
- A service working in partnership to engage with communities
- As a global resource for learning, knowledge and inspiration.

Framework for the Future

Framework for the Future, the strategy for transforming public libraries, was this year awarded £1.89 million (2006 £ 1.95m). This award supported a number of activities including:

- The publication of *Better Stock Better Libraries* in August 2006, a new public library stock procurement model to maximise spending on frontline service delivery. A national approach to stock procurement will help libraries respond to community needs. It will ensure better and increased provision of books and other stock including ICT resources and improved opening hours. When fully implemented this procurement model will achieve significant cost efficiencies for England's libraries.
- Major marketing campaigns such as Families Love Libraries (promoting welcoming and relevant places for families and their needs) and Love Libraries (demonstrating how libraries can re-invigorate reading services through makeovers).

- A new marketing officer post for the programme, to further develop the marketing strategy, produce an action plan and manage campaigns.
- Help to secure £80m from the BIG Lottery Community Libraries fund, to put community engagement at the heart of public library improvement. The MLA developed resources to help public libraries prepare and take up funding with two new community library programme support officer posts. A series of workshops and seminars were held, attended by 94 authorities. The MLA will roll out the community engagement programme over five years, disseminating information from early adopters and building on good practice models.
- The first review of public library service standards leading to a review of the public libraries performance framework to align with priorities of the Local Government White Paper.
- The offer of further Senior Manager and Future Leaders Leadership programmes – 636 people have now benefited across all three levels.
- A range of national reading and learning programmes supported, including Vital Link, BBC RaW, Extended Bookstart,
- An audit of public library buildings.

People's Network Service

This year the People's Network Service websites averaged over 37,000 visits per month. The People's Network Service represents public libraries online nationally and is managed by MLA to support modernisation of the sector. It offers everyone 24/7 access to three innovative services: Enquire, Discover and Read.

Reference Online

The collaborative national procurement initiative led by MLA has to date achieved £3.5million efficiency gains for public libraries. Reference Online comprises 26 electronic information services and has secured buy in from nearly every library authority in England.

Archives

In 2006 the MLA made important decisions on the future direction and focus of our archives work. We have proposed a new vision of the modern archive service for users and potential users. Our remit for archives is shaped by current developments influencing archives and the need for strong advocacy for investment to deliver modernisation and improvement.

Building on the work of the Archives Task Force, the MLA will be launching a new initiative for archives – Action for Archives. Funded initially from existing core budgets, Action for Archives is a coordinated and consistent approach to developing England's archives made up of regional

and national strands. Each Regional Agency will offer a wide programme of training and support and the national strands involve four key areas of development:

- Fund-raising
- Strategic thinking and influencing
- Learning programmes
- Leadership and workforce development.

The programme is co-ordinated through the MLA Partnership National Programme Group for Archives which replaces the former Regional Archives Advisory Group. MLA is working closely with key partners in the archives domain such as The National Archives and the Association of Chief Archivists in Local Government to deliver transformational change in our archives.

MLA has become a member of the Creative Archive Licence Group, joining the BBC, the British Film Institute, Channel 4, the Open University and Teachers TV. Membership of the group will allow museums, libraries and archives to engage in the debate about enabling wider access to moving image materials in their collections. MLA will be seeking to help smaller audio video archives across England to release their content.

Learning – Strategic Commissioning

Strategic Commissioning is a joint DCMS/DfES programme of £2.24m per year delivered through the MLA regional councils. The aim of the programme is to support learning for children and young people by enabling access to non hub museums and archives.

Regional councils have brokered strategic partnerships with Children's Services Directorates in local authorities and with other cultural organisations including Arts Council England and Creative Partnerships to ensure children have access to wide and rich cultural activity. At delivery level, individual museums and archives offer learning programmes to schools either in museums and archives or as outreach activities.

The programme has three strands:

- A museum and archive development programme focusing on using sector resources to explore citizenship, diversity and identity (over 10,000 children participated in visits during 2006-07 with a further 7,000 taking part in outreach activities)
- Learning Links which is a reciprocal placement programme for teachers and sector staff (267 teachers, 120 sector staff). This strand also supports work with students undertaking Initial Teacher Training to ensure that use of cultural resources is embedded within their practice at the start of their career. MLA has also produced a Core Skills framework aligned closely to the DfES Common Core of Skills for the Children's Workforce, for sector staff, which helps staff to gain the key skills and competencies they need to work with children and young people.

- A national database recording school participation. The database records the frequency and nature of school contact with museums and archives and facilitates the sector to work with non participating schools.

Acquisitions, Export & Loans Unit

The Acquisitions, Export and Loans Unit continued to effectively implement the statutory functions that facilitate access to the most important cultural objects in the UK. Its work covers the Export Review System, the Government Indemnity Scheme, the Acceptance in Lieu Scheme and the arrangements for Conditional Exemption. The unit also became responsible for administering the MLA PRISM Fund, which involves the distribution of £250,000 to support the acquisition and conservation of material relating to all fields of science, technology, industry and medicine. In February 2007 the Cultural Property Advice website was launched and the unit took on responsibility for managing it. The site is a reliable, accurate and practical source of information on collecting, buying and selling cultural property legitimately and with confidence and a key source of advice to museums, libraries and archives on matters including restitution and repatriation and spoliation.

Workforce development

MLA continues its workforce development agenda with a strategy based on four key priorities; leadership and skills, the composition of the workforce, empowering learning and change and research. Activities this year included:

- Transformational leadership development for 125 senior and future leaders on MLA's *Leading Archives and Museums* programme.
- Delivery by MLA of the Treasury funded Cultural Leadership Programme in partnership with the Arts Council and Creative and Cultural Skills. To date individuals and organisations across the MLA sector have participated in two week leadership courses, leadership training in the private sector with Unilever, leadership development days for BME leaders, dialogues on leadership, online learning and guidance and work based learning initiatives including coaching, mentoring, networking and work placements.
- Funding to develop and support leadership networks awarded by the Cultural Leadership Programme for two Library Leaders Networks, three Archives Leaders Networks and national Women in Museums Network.
- MLA funding for strategic partnerships with Lifelong Learning UK and Creative and Cultural Skills Sector Skills Councils to develop employer engagement, Sector Skills Agreements, labour market information, national occupational standards and qualifications frameworks.
- Three international travel bursaries awarded to museums, libraries and archives future leaders in partnership with the British Council.
- Funding of three MLA Fellows to undertake the prestigious 12 months Clore Leadership Programme.
- *Untold Riches*: a museums, libraries and archives work placement and careers advice project for schoolchildren developed.

- Workforce development presentations by MLA at the Gulf S Conference in Bahrain in November 2006 and the Lifelong Learning UK Annual Conference in London in December 2006

Bicentenary of the abolition of the transatlantic slave trade

In 2006 MLA appointed a senior policy adviser to lead and coordinate activity around the bicentenary and its legacy. In partnership with 24 Hour Museum and Awards for All England, the MLA also commissioned a website, Abolition 200, representing a single cultural resource for news of national bicentenary events.

Other Activities

Alongside these major development programmes MLA continued to support and encourage innovation across the museum, library and archive sector with awards totalling £11.3m to the nine regional councils, £0.4m to MDA (the Museum Documentation Association), £0.1m each to the two Sector Skills Councils serving sector employers and workforces, £0.1m to the National Council on Archives and £0.3m for the United Kingdom OnLine Network (UKOLN) at the University of Bath. MLA has also helped fund the Clore Duffield Foundation's Leadership Programme, the Campaign for Museums' Museums and Galleries Month and administration of the Gulbenkian Museum Prize.

Additions to, and the preservation of, existing collections were assisted through the PRISM and the V&A Purchase Grant Funds, which enjoy annual allocations totalling £1.3m, so that more people were able to enjoy and learn from the enhanced collections of their local institutions. Most of these grant programmes are planned for continuation in 2007/08.

Results from the Taking Part Survey

During the year, in partnership with the DCMS, Arts Council England, English Heritage and Sport England, MLA commissioned the *Taking Part* survey. This is the first time there has been a single, quality assured survey providing detailed data on participation and attendance across DCMS sectors. Results of the survey will inform policy and planning and provide a robust tool to collect information on the reasons why people visit, or don't visit, museums, libraries and archives.

In the 12 months prior to the survey –

- 16.8 million adults in England had been to a museum or gallery.
- 19.1 million adults in England had been to a library.
- 2.4 million adults had been to an archive.

Cultural Olympiad

The MLA Partnership is leading the development of a national programme of activity for museums, libraries and archives during the Cultural Olympiad of the 2012 Olympic Games and Paralympic Games from 2008 to 2012. Our goal is to ensure that our sector is at the heart of the Olympiad, championing the 2012 values of involving young people and celebrating diversity, and to lead transformation across our sector and sustain a legacy for all communities.

In autumn 2006 the MLA Partnership published *Setting the Pace*, a prospectus which outlined ideas generated from workshops held with museums, libraries and archives. Following further discussions with key stakeholders, including LOCOG, DCMS and the GLA, these are now being developed as five national programme areas, to be launched in July 2007.

The five programme areas are:

- 'The Great Exhibition': Stories of the World: One of the original 'bid projects' owned by LOCOG (London Organising Committee of the Olympic Games and Paralympic Games) is a distributed series of exhibitions across the UK which will re-tell the stories surrounding UK collections in museums and galleries from new international perspectives including those from local communities. The development of the project has been led by MLA, at the request of LOCOG, and a group of museums and galleries. MLA Council has agreed to fund a new post to lead the development of The Great Exhibition.
- 'The Record': MLA has brought together UK archives and international expertise to explore how best to ensure a comprehensive and accessible record of the Games is created. We will set a new standard for the creation and management of Games archive for the benefit of the Olympic movement and future host cities.
- 'The People's Record': This will capture people's life stories in London and across the UK and their involvement in the Cultural Olympiad of the 2012 Games, through a community archive project, shared and stored through an on-line platform and other digital media. Together with 'The Record' this will represent the most complete picture of a Games archive to date, and demonstrate the important role archives can play within communities.
- 'Literature and Storytelling' : We aim to inspire young people through the written and spoken word in a Literature and Story-telling project for the Cultural Olympiad, which celebrates London and the UK welcoming the world, and generates a positive legacy of new works, new readers and new connections. The project is being developed with key partners across the literature world and will aim to engage young people with literature through participatory programme of reader development, events and creative writing; raise the profile and value of literature, creative writing, story telling and performance poetry to culture and society during the Olympiad; and deliver a legacy through those involved in project, new works, and improved services.
- Information Hubs: In addition to the 20,000 journalists accredited to cover the sporting events during the Games, tens of thousands more will flock to London and the UK to cover the wider experience of the Games including the programme for the Cultural Olympiad. Previous host cities have established Non-Accredited Media Centres to satisfy demand for information about their cultural heritage and

society. This project will aim to provide this support by establishing a network of MLA-hosted centres in London and across the country, and involve museums, libraries and archives in developing a database of stories and events during the Cultural Olympiad including activity within 'Setting the Pace'.

DCMS Performance indicators

The current Funding Agreement with DCMS sets a number of performance targets for MLA for the two years 2006/07 to 2007/08. Progress against the key indicators is set out below:

Target	Progress to 31 March 2007
Increase by at least 2% the number of visits to hub museums	Actual number of visits to Hub Museums in 2006/07 (all venues) = 13,787,305 This represents an 9.4% increase on 2003/4 baseline (using a constant sample)
Increase by 350,000 the number of visits by people from priority groups to hub museums	Actual number of visits by people from priority groups in 2006/07 (all venues) = 3,213,463. This represents 445,622 additional visits. This represents a 16.1% increase on the 2003/04 baseline (using a constant sample)
Increase by 25% the number of contacts between school age children and regional museums (base year : 2003/04)	Actual number of contacts between school age children and Hub museums in 2006/07 = 1,224,863 This represents a 28.9% increase on the 2003/04 baseline (using a constant sample)

During 2006/07 MLA pursued the second year of the Efficiency Delivery Plan that it had agreed with DCMS following 2004 Spending Review. MLA achieved efficiency savings totalling £ 1.8 million, 3.5% of its budget, across the full range of its activities, including MLA Regional councils and renaissance Hubs. This exceeds the target set at 2.5%.

These savings have been redeployed to support the delivery of frontline services to users.

Public sector payment policy

MLA adheres to the Better Payment Practice code. In the year all undisputed invoices were paid within the stipulated period.

Financial results for the year

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

Total incoming resources for the year were £52.7m (2006: £51.9m), £14.2m (2006: £12.5) of which was in unrestricted funds. The balance of £38.5m (2005 £39.4m) was made up of the restricted element of DCMS Grant in Aid and grant income from other sources towards various grant aided schemes and projects. The analysis of resources expended is under each of MLA's charitable activities (which align with the four strategic aims) and under governance costs. Incoming resources from charitable activities have been similarly analysed. Grants awarded in the year totalled £42.1 m (2006: £41.4m). The cost of other charitable activity amounted to £9.2m (2006: £10.4m). Governance costs were £0.1m (2006: £0.2m) - 0.2% of total resources expended (2006: 0.3%). The surplus/deficit for the year was £1.2m (2006: deficit £0.1m). This comprises a surplus on unrestricted funds of £1.1m (2006 deficit £0.5m) and a surplus on restricted funds of £0.1m (2006 surplus £0.4m).

Reserves policy

Under the reserves policy funds are designated for specific purposes to further the specific objectives of MLA. One such designated fund is a base reserve set aside to meet exceptional unforeseen expenditure or protect the organisation in the event of a downturn in earned income. This fund has been increased from £ 0.1m to £0.3m during the year as described in note 20.

MLA is substantially funded by Grant in Aid which is awarded for the current and between one and three forward years. The Council is thus not seriously exposed to sudden fluctuations in income. No long term investments are held.

The reserves policy is reviewed each year by the Audit Committee in the light of a re-evaluation of the risks and uncertainties to which the charity is exposed. The results of this review are reported to and considered by the Council.

Risk management

The risks facing MLA are detailed in its risk register and cover financial, operational, regulatory and external risk. All identified risks have plans which mitigate those risks and are regularly reviewed and monitored by the audit committee. The three most significant risks currently faced are: *Risk of relocation to Birmingham*. This may result in poor staff morale and performance, staff leaving, business continuity issues, additional costs and issues regarding stakeholder relationships and service delivery; *Risk that the Comprehensive Spending Review will result in a significant cut to funding for the period for the ensuing years ending 31 March 2011*; and *Risk that the MLA does not make a difference and demonstrate value for money to stakeholders*.

The Council's comprehensive risk management strategy and internal risk management procedures were the subject of an independent review by MLA's internal auditors in 2004 which concluded that the established arrangements represented a satisfactory framework for mitigating risks to the Council's performance, reputation and resources. During 2006/07 the Council further improved its procedures, with assistance from its internal

auditors, as part of its commitment to continuous improvement. The Council is accordingly satisfied that existing internal controls adequately counter the risks of financial loss by fraud, waste or error and that the strategy adopted provides a sound basis for effective risk management.

Advisers

Key advisers to the Council are:

Bankers	Lloyds TSB plc Lloyds TSB Corporate – Public & Community Sector 3 rd Floor, 25 Gresham Street London EC2V 7HN	Solicitors	Bates Wells and Braithwaite 2-6 Cannon Street London EC4M 6YH
External auditors	Baker Tilly UK Audit LLP Registered Auditor Chartered Accountants 1 st Floor 46 Clarendon Road Watford WD17 1JJ	Internal auditors	PKF Farringdon Place 20 Farringdon Road London EC1M 3AP

Auditors

The Council, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditors

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

Chris Batt
Accounting Officer

Mark Wood
Chairman

Statement of Councillors' and Chief Executive's responsibilities

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

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

The Accounting Officer for the Department of Culture, Media and Sport has designated the Chief Executive of MLA as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum issued by HM Treasury and published in "Government Accounting".

Chris Batt
Accounting Officer

Mark Wood
Chairman

The Museums, Libraries and Archives Council

25 July 2007

Statement on Internal Control

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of MLA's objectives whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting. The system of internal control also serves to ensure compliance with the requirements of MLA's Financial Memorandum which together with the Management Statement and Funding Agreement set out the MLA's accountability relationship with the DCMS.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of MLA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. This system of internal control has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and financial statements and accords with Treasury guidance.

MLA's risk management strategy is considered and approved by the Council and its implementation is led by me as Accounting Officer. All staff have an explicit responsibility to plan and manage their activities with proper regard for the strategy. An internal training programme is in place to ensure that staff are familiar with the broad principles of risk management and how these are applied within the organisation. Risk registers have been prepared and are subject to periodic review and updating. The business planning model adopted by MLA requires the early identification and evaluation of key risks associated with each planned activity and the processes by which these will be managed.

As Accounting Officer I have responsibility for continually reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within MLA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in any management letter or other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee and plans are in place to address weaknesses and ensure continuous improvement.

MLA has established the following processes:

- an Executive Board discusses and develops policy proposals and makes key decisions on operational management;
- regular reports from the Audit Committees to the full Council on internal control and risk management;
- annual reports to the Audit Committee by MLA's internal auditors who work in compliance with Government Internal Audit Standards, these reports including a statement on the adequacy and effectiveness of the system of internal control and recommendations for improvement;
- regular progress reports from the Chief Executive and Executive Board to the full Council on performance against key objectives;
- the risk evaluation of new initiatives and projects and the ongoing review of arrangements for managing of risks more generally;

- an organisation-wide risk register which allocates responsibility for the management of specific risks to specific staff.

Chris Batt

Accounting Officer
The Museums, Libraries and Archives Council

25 July 2007

Independent Auditor's Report to the Members of The Museums, Libraries and Archives Council

We have audited the financial statements on pages 25 to 49.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Councillors and Auditors

The responsibilities of the councillors (who are also the directors of the Museums, Libraries and Archives Council for the purposes of company law) for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Councillors' and Chief Executive's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Councillors'/Directors' Report is consistent with the financial statements. We also report whether in all material respects the expenditure, income and resources funded by grant in aid have been applied to the purposes intended by Parliament and the financial transactions confirm to the authorities which govern them. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration and other transactions is not disclosed.

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

We read other information contained in the Councillors'/Directors' Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report and the Report of the Council. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Councillors'/Directors' Report is consistent with the financial statements.

Audit Opinion on Regularity

In our opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

1st Floor, 46 Clarendon Road

Watford

WD17 1JJ

27 July 2007

Summary Income and Expenditure Account for the year ended 31 March 2007

	2007	2006
	£'000	£'000
Total income	52,674	51,912
Operating expenditure	51,438	51,962
Total surplus(deficit)	<u>1,236</u>	<u>(50)</u>

The Museums, Libraries and Archives Council received Grant in Aid in the year ended 31 March 2007 which included the sum of £ 6,000 (2006: £51,000) which was applied on capital expenditure.

The fluctuation in and between annual deficits and surpluses is a product of differences in the timing of the receipt of Grant in Aid and other grants and the recognition of expenditure on charitable activities by way of grant awards to other bodies and other costs.

The surplus for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Statement of Financial Activities.

The notes on pages 29 to 49 form an integral part to these Accounts.

Statement of Financial Activities for the year ended 31 March 2007

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources					
Voluntary income					
Grant in Aid	2	13,839	38,142	51,981	48,054
Other voluntary income	3	-	-	-	789
Investment income	4	403	4	407	354
Incoming resources from charitable activities	5	1	285	286	2,709
Other incoming resources	6	-	-	-	6
Total incoming resources		<u>14,243</u>	<u>38,431</u>	<u>52,674</u>	<u>51,912</u>
Resources expended					
Cost of charitable activities:	7,8				
Increasing and sustaining participation		2,648	13,640	16,288	22,423
Putting museums, libraries and archives at the heart of national, regional and local life		1,478	1,744	3,222	3,524
Establishing a world class and sustainable sector		6,624	19,424	26,048	20,530
Leading sector strategy and policy development		2,233	3,522	5,755	5,327
		<u>12,983</u>	<u>38,330</u>	<u>51,313</u>	<u>51,804</u>
Governance costs	9	125	-	125	158
Total resources expended		<u>13,108</u>	<u>38,330</u>	<u>51,438</u>	<u>51,962</u>
Notional costs: cost of capital	22	28	67	95	18
Net incoming/(outgoing) resources after notional costs		<u>1,107</u>	<u>34</u>	<u>1,141</u>	<u>(68)</u>
Reversal of notional costs		28	67	95	18
Net incoming/(outgoing) resources before transfers between funds	13	<u>1,135</u>	<u>101</u>	<u>1,236</u>	<u>(50)</u>
Transfers between funds	20	19	(19)	-	-
Net incoming/(outgoing) resources after transfers between funds		<u>1,154</u>	<u>82</u>	<u>1,236</u>	<u>(50)</u>
Fund balances brought forward at 01 April 2006 (2005)	20	(337)	905	568	618
Fund balances carried forward at 31 March 2007 (2006)	20	<u>817</u>	<u>987</u>	<u>1,804</u>	<u>568</u>

The notes on pages 29 to 49 form an integral part to these Accounts.

Balance Sheet as at 31 March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	14		58		109
Current assets					
Debtors	15	819		2,423	
Cash at bank and in hand		8,554		8,628	
		<u>9,373</u>		<u>11,051</u>	
Less: current liabilities					
Creditors: amounts falling due within one year	16	<u>7,217</u>		<u>9,242</u>	
Net current assets			2,156		1,809
Total assets less current liabilities			2,214		1,918
Creditors: amounts falling due after one year	17		(410)		
Provisions for liabilities and charges	18				(1,350)
Net assets			1,804		568
Represented by capital and reserves:					
Restricted funds	20		987		905
Unrestricted funds:					
Designated funds	20	698		100	
General funds	20	<u>119</u>		<u>(437)</u>	
			817		(337)
			<u>1,804</u>		<u>568</u>

The notes on pages 29 to 49 form an integral part to these Accounts.

Chris Batt
Accounting Officer

Mark Wood
Chairman

The Museums, Libraries and Archives Council
25 July 2007

Cash Flow Statement for the year ended 31 March 2007

		2007	2006
	Notes	£'000	£'000
Net cash (outflow)/inflow from operating activities	24	(475)	(347)
Return on investments and servicing of finance	24	407	354
Capital expenditure and financial investment	24	(6)	(51)
(Decrease)/increase in cash in the year	24	<u>(74)</u>	<u>(44)</u>

The notes on pages 29 to 49 form an integral part to these Accounts.

Notes to the Accounts

1 Accounting policies

(a) Basis of accounting

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

(b) Incoming resources

Grant in Aid from the DCMS is taken to the Statement of Financial Activities in the year in which it is received. Other income is accounted for on a receivable basis.

(c) Outgoing resources

These are analysed against MLA's strategic aims of increasing and sustaining participation (participation); putting museums, libraries and archives at the heart of national, regional and local life (advocacy); establishing a world class and sustainable sector (excellence); and leading strategy and policy development (leadership). An analysis by type of expense is included in the notes to the Accounts. Costs are directly attributed to the activity on which they are incurred whenever possible. When this is not possible they are allocated on the basis of informed estimates. Costs grouped under the heading governance relate to the Board of Trustees and legal advice and internal and external audit services procured to ensure that the Board is properly able to satisfy its statutory obligations. Support costs incurred on the management and administration of grant programmes are allocated pro-rata to the value of grant awards attributed to each activity. Other support costs are allocated pro-rata to the value of other direct expenditure attributed to each activity.

Grant awards are charged to the Statement of Financial Activities in the year in which the award is made unless payment of the award is conditional on some uncertain future event. The exception to this is the V&A Purchase Grant Fund which is administered on MLA's behalf by the Victoria and Albert Museum. Grants awarded from this fund are charged to the Accounts in the year in which the grants are paid. Adoption of this treatment, as opposed to recognising the grants on award, does not affect the figures reported in any significant way.

(d) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

Notes to the Accounts

1 Accounting policies (continued)

(ii) Restricted funds

These are funds subject to specific constraints on their use imposed at the time that the funds were awarded to MLA or subsequently effectively constrained by their application on investment in operational fixed assets.

(e) Tangible fixed assets

Fixed assets are stated at historic cost. Items with a value of less than £1,000 are expensed in the year of acquisition. Depreciation is charged on all tangible fixed assets at rates calculated to write down the cost of these assets to their estimated net residual value if any at the end of their expected useful lives. The expected useful lives of key groups of tangible fixed assets are:

Office equipment, fixture and fittings	Five years
Computer equipment	Three years
Software	Five years

(f) Leases

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

Notes to the Accounts

1 Accounting policies (continued)

(h) Pension costs

Staff are eligible to join the Principal Civil Service Pension Scheme. This is an unfunded multi-employer defined benefit scheme. MLA is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.UK). For 2006/07 employer's contributions of £582,000 (2006: £599,000) were paid to HM Paymaster General or reimbursed to organisations seconding staff to MLA. The schemes' Actuary reviews employer contributions every four years following a full scheme valuation. Rates will increase from 2006/07. The contribution rates are set to meet the cost of the benefits accruing during to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The rates in force during 2006/07 were:

Staff pay within range	Employer contribution rate
£0 - £18,500	17.1%
£18,501 to £38,000	19.5%
£38,001 to £65,000	23.2%
£65,001 and over	25.5%

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Notes to the Accounts**2 Voluntary income – Grant in Aid (DCMS Class X, Vote 1)**

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Base Grant received for:				
Planned activities	12,939	-	12,939	12,200
Restructuring	900	-	900	-
The 24 Hour Museum	-	149	149	149
Conditional Exemption Scheme work	-	55	55	55
The Portable Antiquities Scheme	-	460	460	460
The Preservation of Industrial and Scientific Material (PRISM) Purchase Grant Fund	-	250	250	250
The V&A Purchase Grant Fund	-	1,000	1,000	1,000
Sub - total	13,839	1,914	15,753	14,114
Additional Grant in Aid funding received for:				
Renaissance in the Regions	-	32,000	32,000	30,000
Framework for the Future – A Vision for Public Libraries	-	1,890	1,890	1,950
Strategic Commissioning - Museum Education Development Fund	-	1,538	1,538	1,279
Strategic Commissioning - Teacher/Educator Placement Fund	-	800	800	711
	13,839	38,142	51,981	48,054

Notes to the Accounts**3 Other voluntary income**

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
University for Industry – Public Libraries Challenge Fund	-		-	750
Other grants	-	-	-	750
Grants repaid – Regional Councils	-	-	-	31
Grants repaid – V&A Purchase Grant Fund	-	-	-	8
Grants repaid	-	-	-	39
	-	-	-	789

4 Investment income

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Interest receivable on short term bank deposits	403	4	407	354

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

Notes to the Accounts

5 Incoming resources from charitable activities

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Sales of publications and royalties	1	-	1	2
Specific grants				
Arts Council England – Literature Matters	-	5	5	160
Arts Council England – Strategic Commissioning	-	13	13	5
The Big Lottery Fund (New Opportunities) – The People’s Network	-	24	24	282
The Big Lottery Fund – Their Past, Your Future	-			592
The Big Lottery Fund – Community Libraries	-	47	47	-
Cymal – Welsh Inspiring Learning for All website	-	10	10	18
DCMS – website on illicit trade in cultural objects	-	18	18	42
DCMS – Public libraries on the knowledge economy	-			25
DfES – cultural sector broker	-			50
DfES - Literature Matters	-			39
DfES - Videoconferencing	-	25	25	250
DfES – the Museums and Galleries Education Programme	-			3
DfES – the Supporting the Learner initiative	-			22
European Commission – international cultural initiatives	-	133	133	124
The Heritage Lottery Fund – the Portable Antiquities Scheme	-			1,070
ILFA - Welsh Inspiring Learning for All website	-	10	10	-
LASER – research study into 14-35 year-olds’ engagement	-			25
	1	285	286	2,709

Notes to the Accounts**5 Incoming resources from charitable activities (continued)****Analysed by charitable activity**

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Increasing and sustaining participation	1	-	1	1,971
Putting museums, libraries and archives at the heart of national, regional and local life	-	234	234	75
Establishing a world class and sustainable sector	-	31	31	488
Leading sector strategy and policy development	-	20	20	175
	1	285	286	2,709

Identification of specific grants received and deferred

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Income from sales of publications and royalties received in year	1	-	1	2
Specific grants receivable in year	-	493	493	2,724
Deferred income released from previous years	-	86	86	215
Income deferred to future years	-	(294)	(294)	(232)
	1	285	286	2,709

These specific grants are subject to conditions which closely specify the service to be performed by MLA. Entitlement to the incoming resources derived from these specific grants is conditional on the delivery of specific services and to the extent that the delivery of these specific services has not been completed at the year end recognition as incoming resources is deferred until future years.

6 Other incoming resources

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
VAT recoverable	-	-	-	6

Notes to the Accounts

7 Cost of charitable activities - grants payable

	Unrestricted funds 2007 £'000	Restricted funds 2007 £'000	Total 2007 £'000	Total 2006 £'000
Regional museum hubs		18,531	18,531	16,392
Museums Education Strategy		5,570	5,570	5,275
Museums and Galleries Month		65	65	70
Museums, Libraries and Archives Councils	5,001	3,507	8,508	8,507
Designation Challenge Fund		1,299	1,299	1,582
Social inclusion initiatives	17	240	257	306
Other Renaissance in the Regions initiatives		1,107	1,107	448
Framework for the Future		863	863	1,072
Learning and skills initiatives		2,156	2,156	2,361
24 Hour Museum	24	149	173	178
Portable Antiquities Scheme	812	460	1,272	1,435
PRISM Purchase Grant Fund		211	211	260
V&A Purchase Grant Fund		1,002	1,002	1,001
MDA revenue grant	237		237	237
Workforce development & People's Network initiatives	332		332	115
Archive sector development	91		91	80
Research initiatives	388		388	459
Collections management	50		50	118
Information and communications technology initiatives		16	16	50
Big Lottery Fund (New Opportunities Fund)				519
Sector Skills Councils				200
UK Public Libraries Challenge Fund				715
	6,952	35,176	42,128	41,380

Notes to the Accounts**8 Cost of charitable activities - other**

	Participation £'000	Advocacy £'000	Excellence £'000	Leadership £'000	Total 2007 £'000	Total 2006 £'000
Staff costs	374	653	1,591	1,272	3,890	3,946
Consultancies, other professional fees and international subscriptions	499	315	1,080	688	2,582	3,315
Other costs excluding depreciation and exceptional items	353	521	717	562	2,153	2,098
Depreciation	6	10	23	19	58	85
Exceptional items (note 12)			502		502	980
	1,232	1,499	3,913	2,541	9,185	10,424
Grants payable (note 7)	15,056	1,723	22,134	3,215	42,128	41,380
	16,288	3,222	26,047	5,756	51,313	51,804

9 Governance costs

	2007 £'000	2006 £'000
Staff costs (including remuneration of Chair)	41	49
Audit and legal fees	72	71
Other costs	12	38
Total	125	158

Notes to the Accounts**10 Staff costs**

	2007 £'000	2006 £'000
Wages and salaries	2,741	2,987
Social security costs	232	262
Pension costs	582	599
Temporary staff	335	147
Total	3,890	3,995

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

	2007	2006
£110,000 to £119,999	1	1
£70,000 to £79,999	2	-
£60,000 to £69,999	2	3

The average number of employees (including temporary agency staff) analysed by function was:

	2007	2006
Chief Executive's/Chairman's unit	6	6
Collections, Archives, Workforce and Standards	25	32
Corporate Services	9	11
Digital Futures	9	12
External Relations	5	7
Learning, Access, Audience Development, Renaissance, Regions and International	17	20
	71	88

Notes to the Accounts

11 Chairman's and senior managers' emoluments and contracts

The Chairman received emoluments of £34,225 (2006: £33,554) in the year. Other Board Members neither received nor waived any remuneration for their services during the year. Travel and subsistence expenses reimbursed to 10 Board Members (2006: 6) amounted to £2,587 (2006: £2,981).

The current senior managers and their roles are:

		Date of appointment	Nature of contract	Notice period
Mark Wood	Chairman	1 December 2002	Fixed term to 31/03/2008	1 month
Chris Batt	Chief Executive	16 August 1999	Open ended	3 months
Sue Wilkinson	Director of Policy and Advocacy	21 June 1999	Open ended	3 months
Gina Lane	Director of Operations	27 November 2000	Open ended	3 months
Jane Harwood	Deputy Chief Executive	2 October 2006	Open ended	3 months
Paul Lander	Head of Corporate Services	19 March 2007	Open ended	3 months
Lynda Scott	Director of Marketing & Communications	16 April 2007	Open ended	3 months

The following senior managers served for only part of the year:

		Date of appointment	Date of cessation	Notice period
Terry Marshall	Director of Finance	9 July 2001	31 October 2006	3 months
Louise de Winter	Director of External Relations	13 September 2004	23 November 2006	3 months

The Chairman's terms of appointment and salary are fixed by the Secretary of State for Culture Media and Sport. He is not entitled to any compensation for loss of office other than the unexpired contract period and his salary and does not include any performance related element.

Senior managers are entitled to compensation for loss employment under the terms of the Civil Service Compensation Scheme; full details are available from the Government Actuary's Department. Their contracts provide for payment of an annual performance related bonus of up to 10% of their basic salary (CEO 15%). The remuneration set out in the following table includes any bonus payments made.

Senior managers are members of the Principal Civil Service Pension Scheme. This is a defined benefit scheme under which members accrue pension benefits related to their length of service and final salary. The table below discloses the pension which each senior manager would receive if 31 March 2007 were her or his last day of service; the real increases in value of pension and lump sum over the year after considering

Notes to the Accounts

11 Chairman's and senior managers' emoluments (continued)

the impact of inflation; and the cash equivalent transfer value as at 31 March 2007 and 2006 and the real increase in the year after the effects of inflation and member contributions have been taken into account. The cash equivalent transfer value is an assessment of what it costs the scheme to provide these pension benefits.

The emoluments and pension entitlements of these senior managers were:

Name	Age	2007 Emoluments within range	2006 Emoluments within range	2007 Real increase in year in pension and lump sum at age 60	2006 Real increase in year in pension and lump sum at age 60	2007 Value of accrued pension and lump sum at end of year	2006 Value of accrued pension and lump sum at end of year	2007 Value of cash equiv- alent transfer value at end of year	2006 Value of cash equiv- alent transfer value at end of year	2007 Real increase in cash equiv- alent transfer value in year
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Wood	55	30 – 35	30 – 35	0 -2.5	0 – 2.5	0-5	5 – 10	38	34	4
C Batt	59	110 – 115	115 – 120	0 -2.5	5 - 7.5	210-220	225-230	1,306	1,256	-
J Harwood	46	40 – 45	-	0 -2.5	-	0-5	-	10	-	9
G Lane	54	65 – 70	55 – 60	15 - 19.5	2.5 – 5	80-90	85 – 90	505	385	105
L de Winter	43	35 – 40	55 – 60	0 -2.5	2.5 – 5	0-5	5 – 10	27	19	6
T Marshall	54	30 – 35	60 – 65	0 -2.5	2.5 – 5	60-70	55 – 60	335	318	8
S Wilkinson	47	70 – 75	65 – 70	0 -5.0	2.5 – 5	85-95	80 – 85	358	336	16

12 Exceptional items

	2007	2006
Release of provision for dilapidations on leasehold property		(355)
Creation of provision for redundancy and restructuring costs		1,350
Restructuring costs	502	-
	502	995

Notes to the Accounts

12 Exceptional items (continued)

Restructuring costs include payments to consultants and interim managers together with redundancy and severance payments made to employees who were redundant as part of the major restructuring of the organisation that commenced during 2005. DCMS provided an additional £900,000 of Baseline Grant in order to fund these costs. The balance of £398,000 is being carried forward as a Designated Fund in order to cover additional restructuring costs that will arise in 2007/08 and 2008/09. Designated funds are set out in note 20.

13 Net outgoing resources before transfers

The increase in resources of £1,236,000 (2006: £50,000 decrease) is stated after charging:

	2007 £'000	2006 £'000
Depreciation charged – owned assets	58	85
Auditors' remuneration – fees for external audit services	24	13
Property rentals	361	261

14 Tangible fixed assets

	Fixtures and equipment £'000	Total £'000
Cost		
At 01 April 2006	401	401
Additions	6	6
Disposals	(15)	(15)
At 31 March 2007	<u>392</u>	<u>392</u>
Accumulated depreciation		
At 01 April 2006	292	292
Charge for the year	57	57
Disposals	(15)	(15)
At 31 March 2007	<u>334</u>	<u>334</u>
Net book value at 31 March 2007	58	58
Net book value at 31 March 2006	109	109

The net book value at 31 March 2007 represents fixed assets used for charitable activities.

Notes to the Accounts**15 Debtors**

	2007	2006
	£'000	£'000
Trade debtors	114	6
Other central government bodies	88	329
Regional Museums, Libraries and Archives Councils	469	788
Prepayments and accrued income	127	1,260
Other debtors including taxation and social security	21	40
	819	2,423

16 Creditors – amounts falling due within one year

	2007	2006
	£'000	£'000
Grant and other accruals	6,520	9,007
Deferred income	294	232
Trade creditors	346	1
Other creditors including tax and social security	57	2
	7,217	9,242

17 Creditors – amounts falling due after one year

	2007	2006
	£'000	£'000
Payments to the Civil Service Compensation Scheme in respect of 8 employees made redundant in 2006/07. This liability extends until 31 March 2017.	410	-

18 Provisions for liabilities and charges**Provision for dilapidations**

	2007	2006
	£'000	£'000
Balance at 31 March 2006/5		500
Applied in full and final settlement of dilapidations liability		(145)
Excess provision released to income and expenditure account		(355)
Balance at 31 March 2007/6	-	-

Notes to the Accounts**18 Provisions for liabilities and charges (continued)**

The provision for dilapidations was made to meet the end of term dilapidations obligations under the lease of 16 Queen Anne's Gate. The lease was surrendered in January 2006.

Provision for restructuring costs	2007 £'000	2006 £'000
Balance at 31 March 2006/5	1,350	-
Transferred to income and expenditure account	(1,350)	1,350
Balance at 31 March 2006/7	-	1,350

In 2006 a provision was made for the early retirement and early severance costs expected as a result of the reduction in the staff complement by 20 posts announced with the restructuring proposals for MLA.

Total provisions	2007 £'000	2006 £'000
Balance at 31 March 2006/5	1,350	500
Applied in year	(1,350)	(145)
Transferred from income and expenditure account (net)	-	995
Balance at 31 March 2007/2006	-	1,350

19 Financial commitments

At 31 March 2007 the Museums, Libraries and Archives Council had annual commitments under operating leases as follows:

	2007 Land and buildings £'000	2006 Land and buildings £'000
Expiry date: within one year	353	
Expiry date: one to two years		300

Notes to the Accounts**20 Statement of funds**

	01 April 2006 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2007 £'000
Restricted Funds					
Renaissance in the Regions	387	32,000	31,706		681
Framework for the Future	132	1,890	2,089		(67)
Strategic Commissions	92	2,338	2,344		86
24 Hour Museum		149	149		-
Conditional exemption		55	55		-
Portable Antiquities Scheme		460	460		-
V&A Purchase Grant Fund	39	1,000	1,003		36
PRISM Purchase Grant Fund	17	250	220		47
Education Challenge Fund	18				18
Information Technology Challenge Fund	1				1
LASSI	21				21
Gates Foundation	75	4			79
University for Industry	14				14
Cultural Property Website		18	18		-
NOF Project 247		24	24		-
DFES Video-conferencing		25	25		-
ACE		18	5		13
BIG Lottery Fund		47	49	2	-
Cymal		10	10		-
ILFA		10	10		-
European Union		133	133		-
Heritage Lottery Fund			30	30	-
Fixed asset reserve	109			(51)	58
Total restricted funds	905	38,431	38,330	(19)	987

Notes to the Accounts**20 Statement of funds (continued)****Unrestricted funds**

Designated fund – base reserve	100			200	300
Designated fund – restructuring	-			398	398
General funds	(437)	14,243	13,108	(579)	119
Total unrestricted funds	(337)	14,243	13,108	19	817
Total all funds	568	52,674	51,438	-	1,804

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

The transfer of £51,000 from the fixed asset reserve is a sum equivalent to the depreciation charge for the year. The transfer of £32,000 from unrestricted funds to restricted funds is to finance the excess of expenditure over restricted income for two specific funds.

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

The base reserve has been designated to meet exceptional expenditure needs or to protect MLA against an unexpected downturn in voluntary income. The Councillors agreed in July 2007, following receipt of year end financial information, to increase the base reserve by £200,000 in 2006/07 and by a further amount in 2007/08 in order that it can cover the cost of MLA relocating to alternative premises during 2008, currently estimated at circa £400,000.

During the year DCMS provided an additional £900,000 of Baseline Grant in order to fund the continued restructuring of the organisation. The Councillors decided in July 2007 that the unspent balance of this funding should be designated to cover further restructuring costs that will arise in 2007/08 and 2008/09.

Notes to the Accounts

21 Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	2007 Total £'000	2006 Total £'000
Fund balances at 31 March 2007 are represented by:				
Tangible fixed assets	-	58	58	109
Current assets	2,062	7,311	9,373	11,051
Current liabilities	(835)	(6,382)	(7,217)	(9,242)
Long term liabilities	(410)	-	(410)	-
Provisions for liabilities and charges	-	-	-	(1,350)
Total net assets	817	987	1,804	568

22 Notional cost of capital

This is based on notional interest costs as calculated by DCMS and charged in their funding agreement with MLA for 2006/7 to 2007/8. For 2006 this was calculated as 3.5% of the average capital employed by MLA in the year (excluding donated assets).

23 VAT, Income and Corporation Taxes

MLA is VAT registered. The Council is only able to recover VAT incurred on or attributable to its very limited business activities using apportionment methods agreed with HMRC. VAT inclusive costs are charged against the relevant charitable activity. VAT recovered is included in other operating income.

MLA is accepted by the Inland Revenue as a charity for tax purposes and is accordingly exempt from Income and Corporation Tax.

Notes to the Accounts**24 Cash flow information****a) Reconciliation of changes in resources to net inflow from operating activities**

	2007 £'000	2006 £'000
Net incoming/(outgoing) resources	1,236	(50)
Interest received	(407)	(354)
Depreciation	57	85
Decrease/(increase) in debtors	1,604	(366)
(Decrease)/increase in creditors	(1,615)	(512)
Decrease/(increase) in provisions for liabilities and charges	(1,350)	850
Net cash (outflow)/inflow from operating activities	<u>(475)</u>	<u>(347)</u>

b) Analysis of cash flows

	2007 £'000	2006 £'000
Capital expenditure		
Payments to acquire tangible fixed assets	<u>6</u>	<u>51</u>

	2007 £'000	2006 £'000
Returns on investments		
Interest received	<u>407</u>	<u>354</u>

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

	2007 £'000	2006 £'000
(Decrease)/increase in cash and movement in net funds	(74)	935
Net funds at 01 April 2006/2005	<u>8,628</u>	<u>7,737</u>
Net funds at 31 March 2007/2006	<u>8,554</u>	<u>8,672</u>

d) Movement in cash

	At 01 April 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash at bank and in hand and net funds	<u>8,628</u>	(74)	<u>8,554</u>

Notes to the Accounts

25 Related party transactions

The Council is an executive Non-Departmental Public Body sponsored by the DCMS. DCMS is regarded as a related party and details of all funding provided by DCMS are disclosed in notes 2 and 5.

During the year the Council had a number of material transactions with other bodies sponsored by DCMS. All these transactions were conducted in the normal course of business and at full arm's length.

Arts Council England and The Big Lottery Fund awarded grants to the Council details of which are included in note 5.

The following bodies were awarded grants by the Council:

British Museum	Museum of London	National Portrait Gallery
Geffrye Museum	Museum of Science and Industry in Manchester	Victoria & Albert Museum
Horniman Museum	National Maritime Museum	

Eleven Councillors are involved in organisations which were awarded grants by MLA as listed below. MLA has procedures in place to ensure that Councillors play no part in decisions on the award of grants to organisations in which they are involved.

Councillor	Position	Organisation	Grant £'000
Geoffrey Bond	Chairman	MLA London	1,447
Sarah Carthew	Chair	MLA East of England	1,170
Alex Cunningham	Chairman	MLA North East	1,004
Nick Dodd	Chief Executive	Sheffield Galleries and Museums Trust	1,524
Yinnon Ezra	Director of Recreation and Heritage	Hampshire County Council	1,940
Helen Forde	Chair	MLA East Midlands	934
John Hicks	Chairman	MLA South East	1,657
Sir Geoffrey Holland	Chairman	MLA South West	1,219
Glenville Laws	Chairman	MLA West Midlands	1,158
Professor John Tarrant	Chairman	MLA Yorkshire	1,274
Robert Wand	Chairman	MLA North West	1,403

Notes to the Accounts

26 Grants payable

A full list of all grants paid in the year ended 31 March 2007 can be found on the MLA website at www.mla.gov.uk

27 Financial instruments

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year, in creating or changing the risks MLA faces in undertaking its activities.

As permitted by FRS13, debtors and creditors which mature or become payable within twelve months of the balance sheet date have been omitted from this note.

Liquidity Risk

MLA does not make use of long-term debt or borrowing facilities. The creditors greater than one year at the balance sheet date represent payments due to the Civil Service Compensation Scheme as outlined in note 17 to these accounts. As a result the MLA is not exposed to significant liquidity risk.

Interest Rate Risk

As at 31 March 2007, MLA held £8,554,000 (2005/06: £8,628,000) in cash and bank deposits, of which £8,553,000 (2005/06: £8,628,000) was held at floating rates, and the remainder in cash. MLA is therefore not exposed to significant interest rate risk.

Foreign Currency Risk

MLA is not exposed to foreign currency risk.

28 Prior year adjustments

Prior adjustments are confined to the correction of fundamental accounting errors in previous years and changes in accounting policies. Prior year comparisons and opening balances on funds are restated as necessary to reflect the correction of fundamental accounting errors and the representation of prior year results on a basis consistent with accounting policies applied in the current year.