

NATIONAL
ARMY
MUSEUM

NATIONAL ARMY MUSEUM
REGISTERED CHARITY NUMBER 237902
CONSOLIDATED FINANCIAL STATEMENTS
31ST MARCH 2017



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31st March 2017

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NATIONAL ARMY MUSEUM
TRUSTEES REPORT AND REPORT OF COUNCIL
YEAR ENDED 31 MARCH 2017

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REFERENCE AND ADMINISTRATIVE INFORMATION

Introduction

The accounts of the National Army Museum (NAM) are presented for the financial year ended 31 March 2017. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983, the Government Resources and Accounts Act 2000 and law applicable to charities in England and Wales.

The NAM is a charity registered with the Charity Commission (reference no. 237902).

Address and principal office of the Museum

National Army Museum, Royal Hospital Road, Chelsea, London SW3 4HT.

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Bankers

Lloyds Bank Plc
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London
EC2A 7HN

Solicitors

Charles Russell Speechlys LLP
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London
EC4M 7RD

Auditors

The Comptroller and Auditor General
157 – 197 Buckingham Palace Road
London
SW1W 9SP

Internal Auditors

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EC1A 4AB

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PERFORMANCE REPORT

OVERVIEW

Background Information

The National Army Museum (NAM) was established by Royal Charter in 1960 to collect, preserve, and exhibit objects and records relating to the Regular and Auxiliary forces of the British Army and of the Commonwealth, and to encourage research into their history and traditions. Devolved status was accorded to the Museum under the terms of the National Heritage Act 1983. The annual Grant-in-Aid, made through the Ministry of Defence (MOD), is administered by the Director General of the Museum on behalf of the governing body, the Council of the National Army Museum.

Social Investment and Public Benefit

The Council of the Museum recognises its responsibilities with regard to social investment and public benefit. The Museum pays due regard to the Charity Commission guidance in particular Public Benefit Requirement 1 (PB1) – The Public Benefit Requirement, Public Benefit (PB2) - Running a Charity and Public Benefit (PB3) - Reporting. The following sections of these accounts show that commitment to the investment and how the Charity Commission guidance has been complied with.

Overall Objectives and Activities

The National Army Museum's objectives were set out in its Royal Charter, first granted in 1960. Its preamble states that the National Army Museum was established 'for the purpose of collecting, preserving and exhibiting objects and records relating to the history of Our Army so that the achievements, history and traditions of Our Army should be better made known'.

'Our Army' is defined by Her Majesty The Queen in Council as including 'the Standing Army, Militia, Yeomanry, Volunteers, Territorial Army of the British Islands, Territorial Army and Volunteer Reserve of the United Kingdom, Our Predecessors' Army in India and the Armies of the East India Company and the Land Forces of Our and Our Predecessors' possessions beyond the seas'.

In July 2011 the Museum adopted a new Strategic Plan, which adopted the following Vision, Mission and Core Values:

Vision:

'To be the leading authority on the history of the British Army and a first class museum that moves, inspires, challenges, educates and entertains'.

Mission:

'To gather, maintain and make known the story of the British Army and its role and impact in world history. To provide a museum experience that meets the widest range of public need and connects the British public with its Army'.

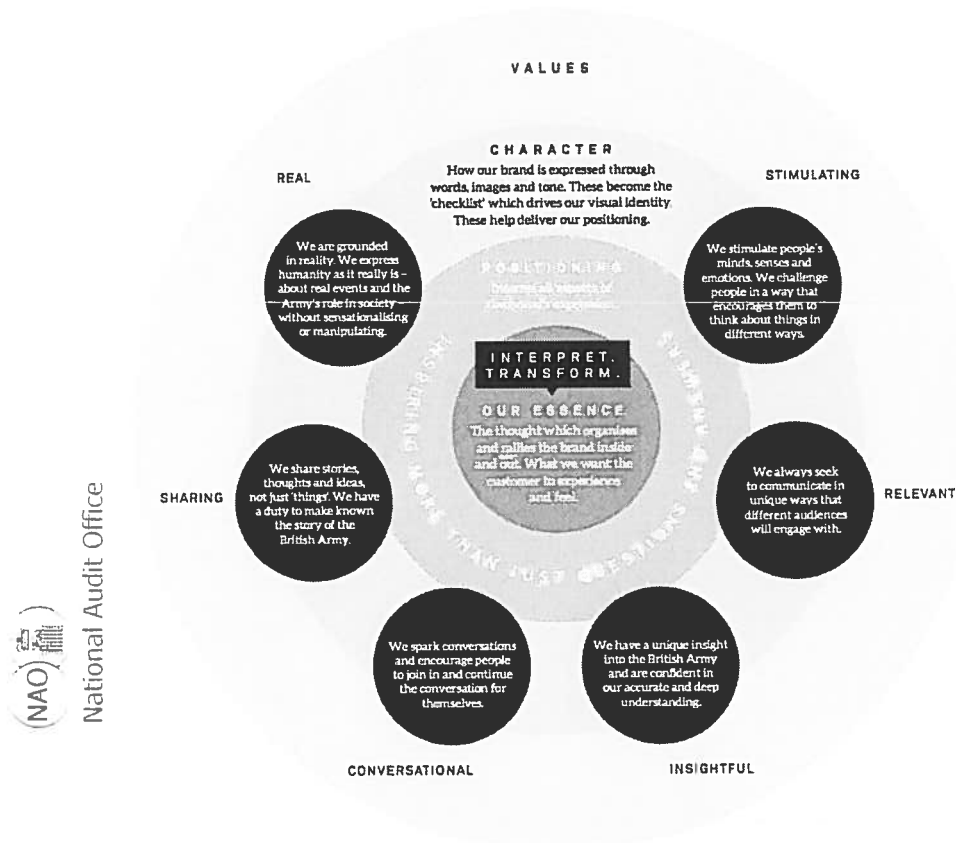
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In 2016 in preparation for its re-opening the Museum adopted the following brand model:

Brand Values: Real, Relevant, Sharing, Stimulating, Conversational, Insightful.



The Strategic Plan has five Key Strategic Objectives:

- Create memorable, relevant and accessible activities aligned to audience need in order to maximise audiences and generate footfall.
- Establish the NAM, nationally and internationally, as the first choice for the history and life of the British Army.
- Maximise financial resilience, organisational efficiency and sustainability.
- Safeguard and make accessible the collections and associated knowledge.
- Develop a national footprint by establishing a network of partnerships, linkages and working relationships.

These reflected the aim of the Museum to complete a major development of its site at Chelsea, vacate the stores at RMAS Sandhurst, launch a national outreach programme, raise £22million in external funding over the Plan period and achieve growth of 30% in visitor numbers and 20% in learning audiences while ensuring visitor satisfaction levels do not fall below 96%, together with an increase in commercial income of 150%.

A review of the Plan in March 2016 showed that the vast majority of the over-arching and detailed Plan objectives had been met, with the exception of redevelopment of the Chelsea site, due to re-open in early 2017.

The Plan was therefore extended to cover the period 2016-17, pending the development of a new Strategic Plan for the redeveloped museum.

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Objectives, Achievements and Performance for the Year

Chelsea Redevelopment

Construction work delays continued throughout the year, necessitating the constant adaption of plans and programme to reach target. Offsite construction was adopted to enable gallery development works to progress and phased building works were followed by phased gallery install and fit-out of public spaces. Successful fundraising continued throughout the year in recognition of the likelihood of increased cost and project funding reached £24.75million.

The new Museum was honoured to host a Royal Preview in the presence of Her Majesty The Queen, HRH The Duke of Edinburgh and our Royal patron, HRH The Duke of Kent, on 16 March followed by a grand opening party on 28 March at which the Secretary of State, Sir Michael Fallon, was the Guest Speaker.

Practical completion was achieved on 10 March 2017 when the Museum saw the final realisation of six years of planning and three years of preparatory works with the re-opening of the new National Army Museum to the public on 30 March 2017.

Other Objectives

The Council of the National Army Museum continues to believe that the most important objective for the Museum is to provide the widest possible access to its Collection and to the professional expertise of its staff. Despite the focus of effort on opening the new building, Museum staff continued to deliver projects and services to the public across the country with a focus on learning, outreach and supporting commemorations.

To support the new redevelopment, a number of major acquisitions have been added to the collection and an extensive conservation programme of material for display reached fruition.

Further details of activities and developments in respect of these other objectives are given in the following Performance Analysis.

Key Risks and Reserves

The operational budget for the NAM for 2016-17 was £7.1m of which approximately £6.03m was received via Grant-in-Aid ('GiA') from its Sponsor Department - MOD.

The main risk to the Museum during the reporting period was the redevelopment project which is subject to on-going final account calculations. The project is supported by the Heritage Lottery Fund and the Museum has funded its redevelopment project largely from a HLF grant and gifts and donations.

The level of self-generated monies brought in by the Museum is expected to rise on the completion of the redevelopment, as this will provide greater commercial opportunities and offer a venue, which can be exploited for fundraising events and activities as the focus moves from the capital appeal to fundraising for on-going day-to-day operations.

Nevertheless, NAM remains largely funded from GiA from the MOD. The largest funding risk to the ongoing Museum operations therefore remains the sudden withdrawal of GiA at a level which would necessitate downsizing of programmes and staff. To cover this drop in funding reserves would be needed to cover committed costs and/or redundancy costs.

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The other main recognised risk and albeit, of a lower-likelihood would be the complete withdrawal of MOD/GiA funding. Such action, if no alternative funding was available, could have catastrophic consequences for the Museum, resulting in its closure within a three-month period. This is even allowing for the commercial operation of the Museum being fully functional.

Recognising this second risk, NAM has developed a Reserves Policy in accordance with guidance from the Charity Commission detailed in its publication 'Charity Reserves: building resilience' and to meet the requirements of SORP 2015 (FRS 102). This policy recognises the cost of closure, including external contracts, local authority rates, utilities, staff salaries (including redundancy costs for those staff not paid via MoD) has been calculated for a three-month period at circa £550,000. This is based on the assumption that those staff on analogous terms to Civil Service pay and conditions and currently paid through MoD, would continue to be funded through to closure by the Sponsor Department, this would include the liability for any redundancy costs.

Current Position

Restricted Reserves

NAM currently holds a Restricted Reserve, excluding land and buildings and heritage assets, of £767,000 to support specific elements of acquisition, care or display of collections or specific projects supporting educational, research or outreach activity.

Unrestricted Reserves

The current cash and cash equivalent value of Unrestricted Reserves shows a deficit of £2,484,000 as a result of the use of these funds on the redevelopment project. 66 14/7/17

Level of Reserves

The Council of the Museum has approved that the minimum level of Unrestricted Reserves be set at £550,000 after completion of the building project. On completion of the Building for the Future project and Final Account settlement the Museum will re-focus its trading and fundraising efforts on raising funds to support specific initiatives such as exhibitions and on achieving this minimum level of reserves.

The current plans are for trading and fundraising to raise in excess of £1 million for each of the next five years so as to achieve the desired level of reserves.

The Director General as Accounting Officer has the delegated authority to utilise both Unrestricted and Restricted reserves for opportunities or issues that arise within the year.

Oversight

The Council of NAM, via its Audit & Risk Assurance Committee, reviews the level of funds in reserves. The Policy is reviewed annually at the Council's autumn meeting, prior to the Business Plan for the following year being finalised.

It is the NAM Council's view that this Reserves Policy will provide the Museum with adequate financial stability and the means for it to meet its charitable objectives and operational expenditure for at least three months.

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Assessment of Going Concern

The National Army Museum is a going concern for the foreseeable future. This is evidenced by the support it has received historically and throughout the redevelopment project. Further evidence of support is contained in the Triennial Review published on 09 Feb 2017 where the Sponsor Department recognises that the Service Museums support the heritage objectives of the MoD and recommends their retention as ENDPBs.

During this reporting period, the Museum received the majority of its 49% grant support from the Heritage Lottery Fund which was awarded for the £23.75m redevelopment project. The balance of this grant will be received in late 2017/18. Currently the funding for the redevelopment is on target, should any unforeseen costs arise the Museum has a contingency to cover any gap in funding should it materialise.

The redevelopment project has provided an opportunity for National Army Museum Trading Ltd (NAMTL) to trade at a higher level than before. NAMTL supports the Museum by gift aiding all of its profits at the end of each year. This support is unrestricted and can be utilised by the Museum as required.

The 10-year Business and Sustainability Plan, because of the delay in the completion of the project and the inability for the trading arm to commence full time trading is still under review.

PERFORMANCE ANALYSIS

Strategic Objective 1:

Create memorable, relevant and accessible activities aligned to audience need in order to maximise audiences and generate footfall

The Museum has gone through a radical transformation to maximise access to, and engagement with, the Collection and to meet the needs of twenty first century audiences.

The main Chelsea site has been reconfigured with the architects Building Design Partnership (BDP) and design agency Event Communications to create a more welcoming, accessible and flexible environment, enabling the Museum to manage increasing visitor figures. Aiming to be a bridge between the British Army and society, the Museum will encourage greater public engagement with ideas of defence and security, both past and present.

The bright new building includes over 2,500 objects in five permanent thematic galleries, laid out over four floors - Soldier, Army, Battle, Society and Insight - which tell the story of the Army in a way more easily understood by modern IT-savvy audiences. The 500m² temporary exhibition space allows the Museum to host international quality exhibitions. New learning facilities include a reconfigured study centre with drop-in facilities for non-specialists; a three-room Learning Centre, as well as a new café seating 150; a new shop and Play Base, a specially designed play area where children aged zero to eight can learn through play.

These, together with the stunning central atrium, expansive entrance and signage, give visitors a much better social experience than ever before and the building is, for the first time, fully accessible at all levels to all visitors.

The new retail facilities and café provide greater opportunities for commercial activities thus supporting the need to make the Museum more financially sustainable. The redevelopment project has allowed the Museum to meet the requirement for carbon reduction and achieve BREEAM Standard - Very Good mainly by the incorporation of energy efficient lighting, heating and climate control and materials. This enhanced standard of construction will inevitably provide a better environment for the visitor and collections and reduce energy consumption.

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The redevelopment has allowed the Museum to provide a suitable environment that meets the requirements of the National Archive criteria (PD5454) for the storage of archives by providing not only the correct facilities for the storage of archive material but also providing a much more efficient means for retrieving them. This, plus the greater use of digitisation, provides a better level of access and allows for the retrieval and research of archive material much more easily. The reconfiguring of staff posts to employ a dedicated Templer Study Centre team supported by volunteers further enhances the level of service to researchers.

As well as the new physical facilities at Chelsea, the Museum has worked extensively to create a successful new visitor experience. Academic, Military, Teaching and Access Advisory panels were consulted and newly recruited visitor experience staff worked with a trainer to focus on creating a world class visitor experience and a Visitor Experience Charter.

The displays have been supplemented with in-gallery handling trolleys and trails, daily tours and a programme of family-focused events for the new Museum.

Preparation for the launch of the Museum's new learning programme continued and new Science, Technology, Engineering and Maths (STEM) sessions were completed in summer 2016. The team completed an exercise to map the Museum's resources and programmes against the new 2014 KS1-3 National Curriculum and KS4-5 exam board specifications for History, enabling new History lesson plans to be completed and resources purchased for the start of the academic year in September 2017.

Elsewhere the Museum formed part of the advisory group to Culture & Heritage Lottery Application for the New Museum School that received a Round One Pass in March. The Museum's Learning team launched KS3 History and Citizenship resources in early 2016 and marked the centenary of the 1916 Easter Rising with a series of online video resources to engage learning in the 2016-17 FWW commemoration thematic Volunteers & Conscripts. A Somme downloadable exhibition was produced. This was published on the First World War in Focus microsite and resulted in 1,018 downloads.

In April 2016, we rebranded the two strands of the ongoing programme: Celebrity Speakers became the Evening Series, and Lunchtime Lectures became Daytime Talks. This began a series of tactical changes to the public programme to prepare the National Army Museum's existing audiences for the new Museum. Our Evening Series remained at the Army & Navy Club, and the Daytime Talks moved back to Chelsea to the Royal Marsden Education and Conference Centre. We trialled new topics and event formats such as a panel discussion titled 'From Shellshock to PTSD: A discussion on how best to support our troops' in May 2016, and an interview with the Dad's Army film scriptwriter Hamish McColl in July 2016.

The 2016-17 public programme saw 18 Daytime Talks and 14 Evening Series events, attended by 1,992 people. Approximately 40% of audiences were new visitors and, on average, seven people at each event signed up to receive the Museum's newsletter. Our pop-up, Every Man's Club, in Spitalfields specifically engaged families and saw parents and children enjoy an immersive First World War leisure time experience, with egg and chips, a Happy Hoppers film lent to us by the original Every Man's Club in Belgium, a magic show and workshop, and interactions with actors in character as First World War Tommies.

We live-tweeted our panel discussion 'From Shellshock to PTSD: A discussion on how best to support our troops', and live streamed our panel discussion at the Houses of Parliament, 'Does your country have the right to make you fight?', which had 928 views, six comments and one share.

In March 2017, we launched the 'Women Soldiers' thematic with a pop-up on Duke of York Square, where our debate wall asked the question 'Should women fight on the front line?' 300 people left comments on our wall, with 500 people stopping to talk to NAM staff, and there were 15,000 opportunities to see. We also partnered with RUSI for our first evening event on the 2017-18 theme: 'Women in Combat Roles', where four panellists and 50 visitors discussed the implications of last year's decision to lift the ban on women in ground close combat roles.

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Our first temporary exhibition, War Paint, was successfully completed in time for the opening of the Museum on 30 March 2017 and will run until 17 November 2017. It is supported by a programme of tours and talks by our volunteer tour guides, curators and artists.

MET Studio were appointed to design the 2018 temporary exhibition on the Special Forces, with concept design already complete. Regular meetings are ongoing with an advisory panel to ensure that we consult key stakeholders in the formation of the display and secure support in the sourcing of content.

Templer Study Centre (TSC) Service

Access to the Museum's books, archives and other collections was provided through our Collections Centre at Stevenage and through the London Metropolitan Archives (LMA). The LMA arrangement came to an end at the end of May with access to the archives being solely provided at Stevenage until August 2016. Between September and October access was suspended while the Archives were prepared for the move back to Chelsea in November. Prior to the re-opening of the new TSC in Chelsea in March 2017, Stevenage provided the only access to the Archives for researchers. Over the year, 123 researchers used the service across the year.

Strategic Objective 2:

Establish the NAM, nationally and internationally, as the first choice for the history and life of the British Army

The internet is now one of the most important ways of reaching audiences. Part of the redevelopment work has been the staged transition of the NAM website and online offer.

In September 2016, an interim website was created to foreground changes to our visual identity and brand to former and new audiences, and to allow better surfacing of content prior to the launch of the new website and to better showcase our ongoing activities during closure - such as our public events programme, First World War (FWW) content and learning resources. Additionally, 36 stories were published, covering four key areas of the Museum redevelopment project.

In February 2017, to coincide with the opening of the new building, a new website was launched incorporating a complete redesign to reflect the Museum's new visual identity and brand values, together with a revised approach to the site structure focusing on optimising user journeys and improving user experience; an overhaul of the content management system and hosting infrastructure to deliver better performance and security; the integration of a new ticketing system for online bookings and a programme of content development involving both the creation of new material and the repurposing of legacy content from the old website and microsites.

During 2016-17 744,701 visits were made to the website by 575,431 unique visitors despite it being a full year of closure for the Museum and, additionally, we continued to use the interactive capabilities of social media platforms to increase audience engagement with our activities. We used Facebook Live for the first time for video streaming, Twitter to provide live updates and produced eight guest blogs which were published in support of public events.

Through utilising new platform capabilities, creating content linked to trending topics and tactically targeting paid spend, we have continued to reach new, diverse and younger audiences on social media. 2016-17 saw a 21% increase in active engagement. This demonstrates that the quality of the content and audience engagement has improved over the course of the year. Results for passive engagement on social media have grown 1,786% over the course of the project, compared to figures for 2013-14. This is mirrored for active engagement - 3,112% higher in 2016-17.

The Museum's ongoing Waterloo archive crowdsourcing project has received contributions from over 220 participants.

In July 2016, the digitised enlistment books of the five disbanded Irish regiments were made accessible to our online audiences via a new search tool on the website. So far, the resource has received over 10,000 views.

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A new Digital Steering Group met throughout the year guiding the Museum through the briefing and delivery of the new website and systems project that has enabled the Museum to reopen with new online booking systems in place for schools, events and Play Base, the latter securing an important income stream for the Museum.

2016-17 saw the roll-out of the new National Army Museum brand across all touchpoints, most noticeably across the website, marketing and advertising collateral and corporate materials. The new brand featured, most obviously, a new logo and a refreshed colour palette, along with new typography, imagery and a revised tone of voice, allowing us to launch and promote the new Museum with a modern and fresh identity.

Marketing and Communications

As well as supporting ongoing outreach and public programmes activity over the summer, such as the Somme marketing campaign, much of the work was focused on getting the right partners and briefs in place to support the Museum launch for Spring 2017. Marketing plans were developed with the support of an external creative agency, media buying partner and PR agency.

The creative campaign was developed to work as an effective over-arching campaign to raise the profile of the Museum and also engage a variety of audiences. To that end, the brief focused on creating awareness (of the National Army Museum), consideration and then relevance, with the final executions focusing on telling surprising stories of personal relevance, using a number of items from within our collection.

The final development of the campaign focused on the tagline Open to Question, demonstrating that as a museum, we inspire more than just questions and answers. A series of six key executions were developed to attract across our audience segments, as identified in the Audience Development Plan (2013). This meant that out of home (outdoor/poster) executions needed to raise awareness and appeal to a broader market than those being used specifically within specialist media channels. Executions were also delivered through a variety of digital media options, and a supporting social media campaign schedule was put in place to develop both paid and organic activity during launch.

Corporate communications were developed throughout the year, ensuring that key messaging platforms were developed and briefing documents in place to keep staff informed and engaged ahead of the Museum re-opening. In addition, media training was given to a number of core staff, ensuring a robust approach to both corporate communications development and risk management was in place.

From January through to press launch on 28 March, we worked with journalists on placement of articles, ensuring that where possible, all mainstream, generalist, online and specialist media channels were aware and engaged with the new Museum's offering and that press coverage was maximised.

Over 790 pieces of separate coverage were gained, meaning that we reached over 136 million people. The Royal Preview gained 210 individual pieces of coverage including broadcast coverage across 19 national and 11 regional channels and reached over 25 million people. For our opening press launch, we achieved nearly 400 pieces of coverage reaching approximately 83 million people. Key pieces included the Telegraph, BBC London, Londonist, Guardian, Evening Standard and The Times. Coverage during this period was largely engaging, positive and welcoming of our new Museum offering.

Daily Telegraph: "National Army Museum's reinvention is a thought-provoking triumph".

The Times: "A £23 million redevelopment has transformed the once stuffy National Army Museum into a bright, modern, space that reconnects us with soldiers' lives".

Conferences

NAM staff gave 16 lectures at conferences and events in the UK, India, Italy and Sweden.

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Strategic Objective 3:

Maximise financial resilience, organisational efficiency and sustainability.

Commercial Activity

One of the goals which has been realised by the building redevelopment is the creation of additional new spaces which will allow the Museum to raise its own earned income.

The café has 150 covers compared to 44 before redevelopment and the space has been maximised for the needs of the varied Museum audience with the spaces zoned by utilising different furniture options. The menu offer has been developed to showcase British ingredients but also cater for the needs of the visitor; there is a clear pricing structure with a seasonal changing menu.

The approved supplier list for external suppliers supporting corporate and private hire spaces was completed and the first corporate hire of the main entrance and atrium spaces was held on 30 March, the day the Museum opened. The new Boardroom has been fitted to a high standard for corporate hire additionally, the Foyle Centre and galleries can also be hired.

The new children's early years facility, Play Base, was installed and commissioned with many of the April booking slots already booked online before opening. The adjacent birthday party facility similarly had bookings ahead of opening.

A new retail facility was built and shop fitted and a completely new retail range developed. Stock purchases were timed for the revised opening date.

The Change Management Programme covering all aspects of staff management was pursued and completed ahead of opening.

A large amount of recruitment took place to gear up the Museum for re-opening including the Commercial & Visitor Experience Team; Retail and Visitor Experience Manager; Retail and Visitor Experience Supervisor; Visitor Experience Assistants; Visitor Welcome and Retail Sales Assistants; Buyer & Merchandiser.

The Collections Division was re-organised to include new roles and posts to support business after reopening and the Learning Department reconfigured to establish a new Learning and Participation team to lead on all formal and informal learning provision in the Museum and create greater synergies and cost-efficiencies across Museum provision.

In view of the increasing number of committee meetings a part-time Committee Clerk was recruited to support Council and its committees.

Total staff as at 31 March 2017 was 92 (80.4 FTE) plus 2 Cultural Co-operation Traineeships and 3 Consultants/Contractors (total 97).

Training

A comprehensive, externally delivered, training programme was provided for newly recruited Commercial & Visitor Experience and other Front of House roles.

Other training packages for staff included Project Management training (Foundation and Practitioner level); Volunteer Supervisor training delivered to key staff managing volunteers; Specialist training in Conservation and other Project-related skills; CSCS (Construction Skills Certification Scheme); Health and Safety tests were implemented for all staff on site; Visual merchandising (for new retail displays); CRM/Salesforce (for new integrated systems); H&S: risk assessment, manual handling, first aid; scissor lift and leadership and management.

Consultation took place to review existing staff benefits and enhanced sickness absence benefits were implemented for staff employed on non-GiA contracts; online performance management was implemented and the Staff Handbook reviewed.

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The Museum was awarded the Healthy Workplace Charter commitment level.

Volunteers, Apprenticeships and Cultural Cooperation

Additional volunteers were appointed in the following fields: Archive/Records; Commercial & Visitor Experience; Digital and Website; Exhibition Research; Finance; Learning; Records Management; Volunteers Supervisors. Volunteers gave 9,829 hours of support to the Museum.

As part of our on-going partnership with Cultural Co-operation the Museum hosted traineeships in Access & Outreach; Learning (Schools); Learning (Early Years); Templar Study Centre. Additionally a Digital Media apprentice was recruited.

Fundraising

The Museum has continued to focus on capital funding for the redevelopment and in the run-up to opening raised a further £2 million with grants from the The Cadogan Charity, Peter Harrison Foundation, Vitabiotics Foundation, and a further grant from WREN FCC, together with individual and regimental donations.

The above, coupled with agreed Heritage Lottery Funding, has enabled the Museum to maintain the funding target for its redevelopment project.

Additionally, two grants totalling £93,700 were received from the National Heritage Memorial Fund for the purchase of T. Lawrence's dagger, robes and kaffiyah.

Services and infrastructure

Substantial procurement took place during the redevelopment under the tendering processes of the Government Procurement website (Contracts Finder) and via the Office of the Journal of the European Union (OJEU). Contracts let included insurance, security, mechanical and electrical maintenance and cleaning.

The design for services in the redevelopment called for the widespread use of energy efficient measures to achieve the BREEAM 'very good' requirement. The measures put in place include the fitting of sensors to lighting in both the public and non-public areas along with the selective use of climate control measures to reduce electrical consumption. The Museum has also installed water saving measures in the public facilities.

A visitor management and recording systems suite which includes EPOS, ticketing and inventory management systems was installed.

The Computer Department continued rationalisation of the storage of electronic media by greater use of 'the Cloud' for storage. Recent procurement of systems for the commercial arm have seen greater use of 'cloud' computing. The Internal Audit review of the cyber security carried out at the request of the Audit and Risk Assurance Committee found that the Museum's processes were robust and fit for purpose.

The new Archives store has been completed and handed over to the Museum. Work is now being undertaken locating all archive material on the over 4,000m/run of new shelving.

Work has continued and staff received training on the CRM system to ensure capture of visitor and customer information within the requirements and guidelines of the Information Commissioner's office. The Museum has approved the employment of additional staff to service this cross-Museum facility to ensure that maximum use is made of the information obtained.

Triennial Review

The final report of the Triennial Review carried out by Price Waterhouse Coopers on behalf of the Cabinet Office was received. This confirmed the Museum's status should remain an ENDPB funded and overseen by MOD. The recommendations of the report were accepted with exceptions and these are either in progress or dealt with.

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Strategic Objective 4:

Safeguard and make accessible the collections and associated knowledge

2016 and early 2017 saw the completion of the conservation and installation of 2,500 objects for the Building for the Future Project, as well as the final elements of the associated activity plan. This included the relocation of the Museum's printed books and archive collections. This was followed by the phased move of other collection items for display. Some of the larger objects were moved in during the base build process. The project was completed with a complex programme of object installation and mounting, which was aligned with changes to the base build programme and design, exhibition fit-out, interactive projects and audio-visual production to enable displays to be completed in time for public opening, requiring very intensive work over a compressed time period.

Collections Development

A new Collections Development Policy was approved and implemented. This was also combined with a study on the future direction and shape of the Museum's collection of vehicles and large objects. Work on a project to collect objects and also document changes to the Army, resulting from the Army 2020 project (including the drawdown of the British Army in Germany), was started. Good contacts were made with British Forces Germany (BFG), initial visits made and a project plan written.

Major Acquisitions

During 2016-17 over 400 accessions have been made to the collections. The majority are by donation but over 50 were by purchase. Acquisitions covered a huge range of material dating from the 17th Century to the present day, with almost every object class and media being represented - from manuscripts through to digital media.

Other major purchases included the Jambiya dagger and robes of Captain T E Lawrence, popularly known as 'Lawrence of Arabia'. The items had been placed under temporary export bar by the Department for Culture, Media and Sport (DCMS). Financial support from the National Heritage Memorial Fund (NHMF) enabled the Museum to save these important items for the Nation. In regard to more recent material, the Museum was delighted to be able to represent modern operational gallantry in our collections with the acquisition of the medal group and other items relating to Corporal Mark Ward of the Mercian Regiment. In 2010 he was awarded the Military Cross for gallantry in Afghanistan. From the same campaign, the acquisition of the digital artwork 'Bolan Market', by Mark Neville (2011) provides an insight into reactions to the British Army on operations. The acquisition of Bolan Market was generously supported by the Art Fund.

Other digital media included both digital images and sound. Images of Apache Attack helicopters in Afghanistan during 2008 taken by Sgt Rupert Frere, Royal Logistic Corps were added to the collections. Our oral history collections continue to grow with many being collected, illustrating many facets of Army life, not often covered in other collections. An interview with Sgt Emmanuel Njingye who was born in Cameroon, describes his joining the Royal Military Police, training, operational deployments and basing, including Germany.

Older photographic processes and areas of particular interest to the Museum included an album of photographs compiled by Ronald Riddett while serving with Royal West Africa Frontier Force during the Second World War. The images were developed by Riddett with the materials available to hand. Our Women's Royal Army Corps collections were further enhanced with albums of photographs which belonged to Pte Brenda Reason, 49th Signal Regiment, Women's Royal Army Corps (Territorial Army), covering the period 1959-1969.

Archives acquisitions were also extremely good, both in the scope and scale of items we acquired. The earliest acquisition was a collection of fifteen documents written by Edward Walker, Secretary at War to King Charles I, 1643-1645. This comprises minutes of meetings of the Council of War, draft proclamations and commissioning documents, and an account of the Battle of Lostwithiel, Cornwall, 1644, together with a draft letter by King Charles II, dated 12 January 1657. A Journal kept by Capt (later Brev Lt Col) John Squire, Royal Engineers, during and after the 2nd Siege of Badajoz, 12 May - 22 July 1811, illustrates the day-to-day conduct and technical aspects of siege warfare during the

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Peninsular Wars. The centenary of the First World War was also represented with the diaries, photograph, clarinet and case associated with Bandsman William Taylor Bunting, 12th Battalion York and Lancaster Regiment. William Bunting volunteered in 1915 and served during the Battle of the Somme returning home in 1919. The acquisition of the Regimental archive of the Grenadier Guards from their Regimental Headquarters was a welcome and generous acquisition from the Regiment. This complete archive, comprising over 20 linear metres of material from 17th to mid-20th Century, will now be more easily accessible through the Templer Study Centre.

Other three-dimensional material acquired included the Irish General Service Medal awarded to 2/Lt Michael O'Shea, 'H' (Granagh) Company, 4th Battalion, West Limerick Brigade, Irish Republican Army, 1921 and a homemade trench catapult made by Lt Ernest Forbes Campbell Colquhoun, Royal Welsh Fusiliers for use in the trenches during the First World War - Lt Colquhoun was killed in action, September 1917. A very rare telescope and case carried by Quartermaster John Hill, 4th Light Dragoons, during the Charge of the Light Brigade enhanced the Museum's collections relating to the Crimean War. Modern equipment has also been collected and includes the Trijicon ACOG (Advanced Combat Optical Gunsight) 6 x 48 telescopic sight for use with the L129A1 Sharpshooter rifle. The gift of a Victoria Cross medal group was especially welcome. The medal was awarded to John George Malcolmson, 3rd Bombay Light Cavalry for Gallantry at the Battle of Khushab, Persian War, 1857. This also includes associated uniform items and an oil painting. Aside from the importance of the medal, it records a little-known campaign of the Victorian period.

Acquisition of artworks to the collection produced a wide variety of material - much of it produced directly by soldiers. It included 30 pen and ink sketches by Major Kenneth Mill, whilst serving with the 6th Medium Regiment, Royal Artillery, during the Second World War. Victorian life on camp and exercise was carefully recorded in a sketchbook of 21 sketches entitled 'Reminiscences of the Autumn manoeuvres 1873 (Dartmoor)'. This has been attributed to William Crosbie Harvey, who served with the 9th (Norfolk) Regiment, 1873. A watercolour by the well-known marine artist Norman Wilkinson records 'C' Beach, Suvla Bay, Gallipoli, August 8th 1915. Wilkinson made a notable contribution to the First World War with the invention of Dazzle Painting, a form of ship camouflage. Contemporary satire around the Army has been represented through the watercolour cartoon 'New Essential Military Kit' by Christian Adams, 2016. This cartoon comments on the legal proceedings surrounding British soldiers through the courts by the British Iraq Historical Allegations Team (IHAT).

We were especially pleased to acquire a miniature on ivory of Captain William Siborne (1797-1849) after Samuel Lover, 1830 (c). This is the only representation of Siborne in the collection and represents the maker of the huge Siborne diorama of the Battle of Waterloo on display in the Museum.

The Purchase Grant received as part of Grant in Aid to allow purchases to provide additional items of historic value for the Museum's collections was £126,000.

Disposals

Due to the Collection Divisions focus being on the re-installation of the galleries there were no disposals of Collection items during this reporting period.

Collections Management and Care

Work has continued towards the completion of the Collections Care Management Plan (CCMP), which was started in 2013. This included the return of the Museum's Vehicle Collection to Stevenage. Work has continued towards the completion of the Collections Care Management Plan (CCMP), which was started in 2013. This included the return of the Museum's Vehicle Collection to Stevenage. Additional commercial storage was required as a result of this relocation of vehicles and this was acquired early in April 17.

The complete relocation of the Museum archive was also aligned with an extensive programme of location checking and control. This has resulted in every archive being physically located to a precise location for the first time. Much of this work was completed with a volunteer team working at Stevenage.

The Museum Accreditation application was also submitted, as well as continued work towards an archives accreditation application, which will be made during the forthcoming year.

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Loans activity has also continued, with loans being made both nationally and internationally to the Deutsches Historisches Museum, the Rijksmuseum and the Victoria and Albert Museum. Loans to Regimental Museums included the loan of a Victoria Cross to the Museum of the Gloucestershire Regiment, as part of their Somme commemorative activity and the loan of a Bedford RL truck to the Royal Logistic Corps Museum to form part of their redevelopment project. Loans to the Surgeons Hall and to Firing Line in Cardiff were extended.

The redevelopment allowed the Museum to reconfigure and upgrade its storage facilities for firearms. This work has been carried out in consultation with the Metropolitan Police Service.

Digital

A new Intellectual Property and Copyright Policy was approved, putting in place an open licensing framework. This will enable more open use of the Collections, but protect potential revenue streams for commercial activity.

The project to digitise 200 Indian Army photograph albums, with associated community engagement work, has also been completed. This model will be extended to further projects in the future, using a combination of commissioned digitisation work and in-house resources. Digitisation of the Canon Lummis' Victoria Cross files was also started.

Knowledge Management

To help meet the Museum's vision of being the leading authority on the history of the British Army collections, a new training and development framework for collections staff has been developed, building on the experience of the Building for the Future Project. This takes into account the whole spectrum of training and development activity from formal courses and study, through to informal acquaint visits. A more structured approach for peer-to-peer coaching and mentoring will also be put into effect.

Strategic Objective 5:

Develop a national footprint for NAM by establishing a network of national partnerships, linkages and working relationships.

Outreach

The Museum completed the final components of the current Outreach and Activity programme. This included the two art projects - 'Ministry of Women' and 'Kaur Values' which used the Women's Royal Army Corps (WRAC) collection and Indian Army collection to form the basis of a published graphic novel and production of art by the Sikh community. The launch of these projects included attendance at and presentation of graphic novel at the Hay-on-Wye Literary Festival. The 'Kaur Values' project ran a partnership event with the Wallace Collection in London.

The oral history project 'Old and the Bold' with the Royal Hospital Chelsea (RHC) was also completed in summer 2016 with over 40 interviews completed. It is intended that this close working relationship with the Hospital will continue, with potential interviewees identified to support particular collecting projects, exhibitions and other activity. In addition, the oral history project to complete interviews with commonwealth members of the Army has been completed.

In 2016, the Museum attended a number of external events and festivals, reaching a range of different audiences. This included attendance at the Vaisakhi Festival in London and 'Living Islam' Festival, Armed Forces Day in Wandsworth, and the Lambeth Country Show.

The Museum also worked in partnership with the Department for Culture Media and Sport (DCMS) on the official Battle of the Somme centenary commemorations, producing a travelling display, which was taken to both France and Manchester.

In addition, our work with the MOD included attendance at the Sandhurst Open Day and Saragathi Day at the Honourable Artillery Company. Links with GLA have been maintained through events at City Hall and Trafalgar Square. New links with the British Council and the Golden Tours Foundation have resulted in attendance at conferences in India and Pakistan as well as the UK. Similarly, the relationships with Ming-Ai and the Punjab Heritage Association remain strong.

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A roadshow was taken to Aldershot Garrison (Army Home Command) and also to Shornecliffe Garrison (Canadian Cadets visit). Engagement work has also been undertaken with 7 Brigade in Nottingham and 77 Brigade in Berkshire. Oral history collecting work was conducted with soldiers as part of our Collecting and Review activity.

The Museum attended the Everyday Muslim Festival in July last year and has had active contact with the Army Women's Network, WRAC Association and the First Aid Nursing Yeomanry, which have helped shape the Museum's public programme for 2017 and contributed to the Ministry of Women graphic novel.

The Museum contributed to the Meeting of Minds Conference with Brighton and Hove Museums, which included a number of other partners, including the Indian Military Historical Society. New partnerships with the Partition Museum in New Delhi have also been established. We supported the Asian Centre in London with collections material for an exhibition that they are now touring and delivered a workshop in Stevenage. The Museum attended a conference hosted by Walled City of Lahore Authority in Pakistan, which has led to potential partnerships with Lahore City Museum and a reciprocal visit from them.

Schools Outreach

From April 2016 to March 2017, the NAM Learning team delivered outreach sessions at primary and secondary schools across London and nationally to pilot new History, Citizenship, and STEM workshops before the Museum re-opening. NAM Learning also worked in partnership with Hackney Music Development Trust (HMDT), Houses of Parliament Education Service, and the British Army's Op Reflect programme to deliver bespoke outreach programmes to schools in Westminster, Kensington and Chelsea, East London, and Bradford. In total, more than 1,580 students were engaged in face-to-face outreach sessions.

Exploring Military Chelsea

Following the success of 2015's Explosive Summer and Little Soldiers outreach programme, the Learning team again worked with the Royal Borough of Kensington and Chelsea (RBKC) play services to deliver a series of outreach events during the summer, centred around the Museum's new Play Base.

First World War: Volunteers & Conscripts

As a focal part of our ongoing WW1 commemoration programme, the 'First World War in Focus' microsite continued to grow this year with: 12 soldiers' stories, 16 WW1 news stories, 5 Volunteers & Conscripts videos, 3 WW1 Learning Resource Packs and 1 Somme Centenary downloadable exhibition, which included content drawing attention to the centenaries of the Battle of the Somme, the Easter Rising and the introduction of military conscription.

We also developed an interactive video resource entitled 'Do you enlist?' This represents an experimental new way of engaging audiences with our subject matter. The resource exposes users to the consequences of conscription, volunteering and conscientious objection in the First World War by allowing them to choose their own path through a series of inter-related stories.

This activity gained 181 pieces of coverage, generating coverage of 23.5 million and an Advertising Valuation Equivalent (AVE) of £446k. However, Soldiers' Stories gained the most coverage, generating 102 pieces of the coverage and a circulation of 4.4m consisting of 24 print pieces, 13 broadcast and 65 online pieces.

Digital Learning Resources

A set of Citizenship-based teaching resources was produced entitled 'Take a View on the Army'. These were designed to develop critical thinking about the role of the British Army and the impact it has on society. The resources consisted of videos, downloadable PowerPoints and guidance notes for teachers.

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Further WW1 learning resources have been published online exploring the Battle of the Somme, the Easter Rising, and the story of conscription.

Events and Outreach

Lunchtime lectures continued rebranded as Daytime talks. We trialled new topics and event formats such as a panel discussion titled 'From Shellshock to PTSD: A discussion on how best to support our troops' in May 2016, and an interview with the Dad's Army film scriptwriter Hamish McColl in July 2016.

Our pop-up Every Man's Club in Spitalfields specifically engaged families and saw 79 parents and children enjoy an immersive First World War leisure time experience, with egg and chips, a Happy Hoppers film lent to us by the original Every Man's Club in Belgium, a magic show and workshop, and interactions with actors in character as First World War Tommies.

Academic Partnerships

The partnership with National Museums of Scotland (NMS) - 'Baggage and Belonging: Military Collections and the British Empire (1750-1900)' - continued and AHRC funding has been received by NMS to recruit a Post-Doctoral researcher who will spend time at NAM. In addition, the Passions of War Project with the University of Leicester has developed with a series of workshops and lectures.

Academic partnerships also continued with meetings of the Academic Advisory Panel and attendance and delivery of a lecture at a conference as part of the Passions of War network. Scoping work on ways the Grenadier Guards archive can be used by the academic community and work around the British Army in Germany are being developed.

The planned partnerships with the Royal College of Art, School of Oriental and African Studies and the University of Hertfordshire did not proceed as none of these projects have been developed by their respective institutions.

The planned partnership with the University of Cardiff did not proceed as the University did not receive AHRC funding; however, the project is still continuing and lectures and a workshop by the Museum are being hosted this year.

Our partnership with the Golden Tours Foundation continues and last year included a presentation at their conference in Brighton. The Museum also worked with the British Council and as a result has partnered with the Indian Partition Museum, attending their conference and delivering a lecture in Delhi. This will be reciprocated with a visit and lecture during the forthcoming year. The Museum was also invited to Pakistan and sponsored by the British Council to deliver a paper at the International Museums and Heritage Conference in Lahore. Attendance at both of these conferences provided useful contacts for potential future work and collaborations.

Initial meetings have been held with The National Archives (TNA) in order to generate a partnership with them, which can be strengthened and developed. The Museum delivered a lecture as part of their Somme activity programme last year.

War Graves Adjudication Unit (WGAU)

An additional 320 cases were received from the Commonwealth War Graves Commission (CWGC) bringing the total in year of 374 to be adjudicated on. Of these 359 were passed for commemoration, 11 declined, 2 were held in abeyance pending the provision of additional information (not supplied) and 2 returned as having come to the wrong service authority. There were two appeals against decisions made by the Unit, of which one was accepted and the other held over subject to the ascertaining of further information.

The service was suspended in January 2017 on the departure of the last staff member, pending a decision by MOD to continue the service.

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Regimental Museums

In 2016-2017 the National Army Museum Regimental Museums Liaison (RML) team substantially increased and expanded the support it provides to the 139 Regimental and Corps Museums through training, an advisory service and project development guidance for the Military Museum Networks.

Training courses provided

Emergency Response Course running at Stevenage in August
Regimental Curators' Course, London in October
Firearms in Museums Course, London and Leeds in November.

There was also the addition of a Collections Move Course in response to the increasing number of museums beginning, or in the process of, moving sites (14 museum curators attended).

Military Museum Networks

The RML team attended 24 regional Military Museum Network meetings. In this past year, the Regimental and Corps Museums Network have held quarterly forums, developed constitutions and put into place network leaders through the advice of the RML team. The team also initiated and supported the addition of a Corps Museums Network in 2016.

Network Projects

Projects supported by the Museum through the Networks include the Wales & West Army Museums Network's Advocacy Project (in which 17 member museums are participating), the Northern Military Museums Network's Video Coaching Project and the London Military Museums Network's shared Conservation post Project. Collaborative projects to address sector challenges or common areas of benefit demonstrate the utility of these Networks to promote resilience in Regimental Museums.

Advisory

402 enquiries from Regimental Museums were sent to the Liaison team in the last year regarding collections care, fundraising, training offers and other museum subjects. 17 advisory visits were made to Regimental Museums throughout the UK, including Northern Ireland, this past year.

Financial Review

Consolidated Results for the Year ended 31 March 2017

Total incoming resources for the Museum in 2016-17 amounted to £14,487,000 (2015-16 £12,180,000). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2016-17 this was £6,032,000 (2015-16 £6,555,000). Total resources expended amounted to £13,302,000 (2015-16 £5,968,000). This included the downward revaluation of tangible fixed assets of £6,273,000 (2015-16 £Nil). The net movement in funds for the year showed an increase of £1,209,000 (2015-16 £7,063,000).

The Museum's net assets as at 31 March 2017 amounted to £104,456,000 (31 March 2016 £103,247,000).

Changes in Tangible Fixed Assets

Movements in tangible fixed assets are shown in note 7 to the accounts.

During the year, the Museum spent £17,483,000 on additions to tangible fixed assets. The vast majority of this expenditure (£17,042,000) was in relation to the refurbishment of the Museum.

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Future Plans

The focus of the Museum over this reporting period was to progress the redevelopment of the Museum to re-opening in March 2017. Following on from the re-opening, the Museum will consolidate its position as the first choice for the history and life of the British Army. As mentioned elsewhere in this report the Collections Conservation Management Plan, will continue to be progressed in line with the commitment to the care of the collections and this along with the review of the project Business and Sustainability Plan and existing Strategic Plan, will be used to inform the post project Strategic Plan for 2017-22.

Targets and Key Performance Indicators

The museum has the following targets and key performance indicators to judge success in achieving its targets:

Measure		2014-15 Target	2014-15 Out-turn	2015-16 Target	2015-16 Out-turn	2016-17 Target	2016-17 Out-turn
Access							
1	Number of visitors to the Museum	22,000	18,500	0	0	57,000	1,894*
2	Number of unique website visits	600,000	668,671	720,000	722,541	888,888	575,431*
3	Social Media/reach/impressions/views	n/a	n/a	n/a	n/a	8,000,000	4,851,340
4	Number of outreach participants	130,000	166,345	120,000	222,268	180,000	101,038*
Visitor Satisfaction							
5	% of people who recommend a visit	n/a	n/a	n/a	n/a	96%	n/a*
6	% of people who said they learned something new	n/a	n/a	n/a	n/a	90%	n/a*
Income Generation							
7	Trading profit/(loss)	£27,000	£26,536	£12,380	£(20,513)	£(15,583)	£(108,207)*
8	Amount of Income raised through fundraising	£2,090,000	£463,163	£1,500,000	£2,058,000	£1,030,000	£2,000,000

* Delay to the re-opening of Museum

This Report was approved by the Trustees on 7th July 2017 and signed on its behalf by:



MRS JANICE MURRAY
 DIRECTOR GENERAL
 AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF
 CHAIRMAN, ON BEHALF OF
 COUNCIL

7th July 2017

National Army Museum
 7th July 2017

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PARLIAMENTARY ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTOR'S REPORT

Members of Council

At a Privy Council Meeting on 08 July 2009, Her Majesty The Queen approved amendments to the Royal Charter of the National Army Museum. In line with para 7(2) of the amended Royal Charter, vacancies in the Membership occurring after the coming into effect of the amended Royal Charter are filled by persons nominated by the Council and approved by the Army Board. Para 8(1) of the amended Royal Charter states that the Chairman of the Council of the National Army Museum shall be nominated by the Council from among its Members and shall hold office (unless he or she shall earlier resign) for the residue of the period for which he or she has been appointed a Member. The relevant clause relating to the appointment of Members of Council is as follows: "7(1) The Membership of the Council shall be such number of persons as the Council shall from time to time determine being not more than twelve nor fewer than five".

The Council has chosen to subscribe to the principles of the Commissioner for Public Appointments Code of Practice for Public Appointments Procedures. In particular, Members of the Council have affirmed their commitment to the Principles of Public Life.

Register of Interests

A Register of Interests for Members of Council is updated by Annual Return. This may be inspected on request at the Museum by prior appointment with the Director General. No matters are noted in this Register which have given rise to specific conflicts with regard to Council's management responsibilities.

Members of Council

General Sir Richard Shirreff KCB CBE (Chair)
Mr Patrick Aylmer
Mr Keith Baldwin
Mr Patrick Bradley
Brigadier Douglas Erskine Crum
The Right Honourable The Lord Hamilton of Epsom
Professor William Philpott
Ms Jessica Spungin
Mr William Wells
Lieutenant General Sir Barney W B White-Spunner KCB CBE
Ms Caroline Wyatt resigned 27 March 2017
Mrs Deborah Younger

Recruitment, Appointment and Training of Trustees

New Members of Council are sought through national channels with applicants being interviewed by members of Council assisted by external assessors. Appointments are then approved by the Army Board. All new members receive information as laid down by the Charity Commission. They also visit the Museum for induction training provided by the Director General, other members of staff and the Museum's legal advisers.

Organisation Structure and Decision-Making Process

The overall direction and operation of the NAM is vested in the Council of the Museum. The Council of the National Army Museum consists of up to twelve Members who serve for a period of three years from the date of their nomination. The Committees of Council, with their membership during the year, were:

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<u>Acquisition & Disposal</u>	Professor William Philpott (Chair) Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI (nominated member) Ms Caroline Wyatt
<u>Audit & Risk Assurance</u>	Mrs Deborah Younger (Chair) Mr Jeremy Archer (nominated member) Mr Patrick Aylmer Mr Keith Baldwin
<u>Building for the Future</u>	Brigadier Douglas Erskine Crum (Chair) Mr Keith Baldwin The Right Honourable The Lord Hamilton of Epsom General Sir Richard Shirreff KCB CBE Lieutenant General Sir Barney W B White-Spunner KCB CBE
<u>Remuneration & Appointments</u>	General Sir Richard Shirreff KCB CBE (Chair) Mr Keith Baldwin Professor William Philpott

The day-to-day operations are controlled by the Director General of the NAM with the assistance of the Management Team. The following were the members of the Management Team during the year:

Mr Janice Murray	Director General
Mr Mike O'Connor	Museum Director
Ms Genevieve Adkins	Assistant Director (Public Programmes)
Mr Ian Maine	Assistant Director (Collections)
Ms Laura Palmer	Assistant Director (Development) from 17 October 2016
Miss Teresa Scott	Assistant Director (Human Resources)
Miss Dawn Watkins (NAMTL)	Assistant Director (Commercial & Visitor Experience)

Regular meetings of the Management Team take place, together with meetings involving heads of department and subject specialists, to ensure the smooth running of the NAM, with reference to the Museum's Mission Statement and Purpose, Strategic Plan, Business Plan and the Museum's Risk Management Policy & Matrix of Risks. The Matrix of Risks, which is regularly updated, is used as the basis for the Internal Audit work programme.

Personal Data Loss

All staff carry out Data Protection Act training as part of their induction and e-learning programme. The Museum has identified no personal data related incidents during 2016-17. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

STATEMENT OF COUNCIL'S AND ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales, the Council is required to prepare financial statements for each financial year which give a true and fair view of the National Army Museum's financial activities and of its financial position at the end of the year.

In preparing financial statements, that give a true and fair view, the Accounting Officer and Council are required to:

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- Observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards and statements of recommended practice as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.
- Confirm that, as far as she is aware, there is no relevant audit information of which the entity's auditors are aware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- Confirm that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Under law applicable to charities in England and Wales, the Council is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Council to ensure that the financial statements comply with the applicable law. The Council is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State has appointed the Director General, the senior full time Museum official, as the Accounting Officer for the National Army Museum. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of Parliamentary funded (Grant-in-Aid) finances for which she is answerable, for the keeping of proper records and safeguarding of the National Army Museum's assets are set out in the Non-Departmental Bodies' Accounting Officer's Memorandum issued by the Treasury and published in 'Managing Public Money'.

GOVERNANCE STATEMENT

This Governance Statement sets out the arrangements for the governance of the NAM, including the Council and Committee structure for the Members. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the NAM Council and Accounting Officer previously contained in the Statement on Internal Control. The Accounting Officer recognises that Internal Audit is an essential part of the audit assurance framework and the absence of such work potentially exposes the Museum to risk. During this reporting period, the subjects chosen for Internal Audit were associated with the completion of the redevelopment however, because of the delay in re-opening these items were deferred to FY 2017-18 when they will be completed. The Accounting Officer, because of the close scrutiny of the Building for the Future Committee and the Audit and Risk Assurance Committee is satisfied that any risk to the Museum is minimised.

The Governance Framework

The NAM is a charity registered with the Charity Commission (registration number 237902) governed in accordance with its Royal Charter.

The Museum is national museum and Executive Non-Departmental Public Body (ENDPB) obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. There is a Financial Framework document in place that defines the arrangements between the Museum and its Sponsor Department - the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure.

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The NAM Council and the Committee Structure

The NAM is governed by the NAM Council under the chairmanship of General Sir Richard Shirreff KCB CBE. The Charities Act 2011 requires the Council Members to exercise proper stewardship over the Museum and to take care of its collections.

The Director General of the Museum is the Accounting Officer responsible to Parliament for the day-to-day management of the Museum as set out in Chapter 3 of Managing Public Money.

Council Members are appointed by the NAM Council and approved by the Army Board. They are appointed for a term of three years and can be appointed for a further term of equivalent length. The NAM Council may appoint nominated external members to serve on specific committees to supplement the experience of main Council Members. The nominated external members offer a level of expertise and independence that the Council members may not have.

Full minutes of all NAM Council and Committee meetings are maintained and the attendance of Council Members are recorded therein. Copies of NAM Council minutes are published on the NAM website.

The NAM Council Members receive induction training under the direction of the Director General and are encouraged to familiarise themselves with the Museum's operations through work in committees where they are supported by the Museum's divisional Assistant Directors. Additionally, all Members of Council received trustee training from the Museum's legal advisors early in their tenure.

The NAM Council met on three scheduled occasions during 2016–17.

Post	Name	Meeting Attendance
Chairman	General Sir Richard Shirreff KCB CBE	3
Members	Mr Patrick Aylmer	2
	Mr Keith Baldwin	2
	Mr Patrick Bradley	2
	Brigadier Douglas Erskine Crum	2
	The Rt The Hon Lord Hamilton of Epsom	3
	Professor William Philpott	3
	Ms Jessica Spungin	3
	Mr William Wells	3
	Lieutenant General Sir Barney W B White-Spunner KCB CBE	2
	Ms Caroline Wyatt (resigned 27 March 2017)	1
	Mrs Deborah Younger	3

Register of Interests

A Register of Members' relevant interests is maintained and is the first item on the Agenda at all meetings of the Council and Committees. Members are required to declare the fact that if they have an interest, pecuniary or otherwise, in any matter being considered by the Council. In this period no such interests were declared.

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NAM Council Committees

The NAM Council Members have established a number of committees for specific purposes and to ensure the effective conduct of business. These committees are Audit & Risk Assurance, Acquisition & Disposal, Building for the Future and Remuneration & Appointments (formerly Nominations).

The full Council has approved the terms of reference of each of these committees and, where it is practical, members do not sit on more than two committees.

Audit & Risk Assurance Committee

During 2016-17 the Audit & Risk Assurance (A&RA) Committee had three planned meetings. Aside from “normal” A&RA business the Committee maintained a particular oversight of the redevelopment risks and funding. The Committee members and their attendance at the meetings are listed below:

Post	Name	Attendance
Chair	Mrs Deborah Younger	3
Member	Mr Patrick Aylmer	3
	Mr Keith Baldwin	2
Nominated Member	Mr Jeremy Archer	3

The Committee were briefed at their November meeting on Performance Awards for the previous reporting period, which were in line with MoD guidance.

Acquisition & Disposal Committee

The Acquisition & Disposal Committee had two planned meetings during 2016-17. The Committee met to discuss “routine” business, further developing links with the Regimental Museum community, purchasing of vehicles and confirming the strong commitment to collecting relevant archives and developing a policy for the “proper” use of NAM’s vehicle collection. Listed below are the members of the Committee and their attendance at the meetings:

Post	Name	Attendance
Chair	Professor William Philpott	2
Member	Ms Caroline Wyatt	-
	Professor Brain Holden-Reid MA PhD FRHistS FRGS FRUSI	1

Building for the Future Committee

The NAM Council established in 2013 the Building for the Future (BfF) Committee to oversee the redevelopment project. Due to the critical timetabling redevelopment work this Committee had nine planned meetings in this period. Listed below are the members of the Committee and attendance at the meetings:

Post	Name	Attendance
Chair	Brigadier Erskine Crum	9
Member	The Right Honourable The Lord Hamilton of Epsom	9
	Mr Keith Baldwin	9
	General Sir Richard Shirreff KCB CBE	8
	Lieutenant General Sir Barney WB White-Spunner KCB CBE	8

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Remuneration & Appointments Committee

The Remuneration & Appointments Committee had two planned meeting in this reporting period. One of which because of members commitments was via an exchange of emails. Listed below are the members and their attendance:

Post	Name	Attendance
Chair	General Sir Richard Shirreff KCB CBE	2
Member	Mr Keith Baldwin	2
	Professor William Philpott	2

NAM Foundation

The NAM Foundation was established to assist in the fund-raising efforts for the redevelopment and met twice in this reporting period: once by email and once via a conference call.

NAMTL

National Army Museum Trading Limited (NAMTL) is the established trading arm of the Museum. Its Board consists of four directors. Decisions taken by this company remain the responsibility of the Directors of NAMTL. The results of NAMTL are consolidated into the group financial statements.

NAM Council Members' Performance.

The principal achievements of the Museum during the year are highlighted elsewhere in the Financial Statements, NAM Council Minutes and Business Plan. The Director General attends meetings of the Army Heritage Committee where she reports on the plans of the NAM. Additionally, meetings were held with the Director Army Resources and the Chief Accountant Army Resources. These meetings are reported to the full NAM Council.

NAM Council minutes are circulated to all Council Members with routine papers for all Council meetings. Committee chairs brief all NAM Council meetings and highlight any matters of particular concern.

There is a wide range of information and data (financial and otherwise) routinely available to Council Members, including management accounts. The Director General works closely with the Museum Director and the Head of Finance to refine the financial information supplied to Council. Members are satisfied that the information is available both on time and in a format that enables the Members to exercise proper oversight of the Museum.

Review of Effectiveness of Internal Control

To meet the responsibilities above, the NAM has in place a system of internal control and hierarchy of approval from the Director General through the Management Team (MT) and Line Managers. A framework contained within the Financial Procedures Manual, which all staff employed at the NAM must sign up to, supports the system of financial control. Access to the Museum's accountancy system is restricted to the role of the individual. Levels of access are password protected which expire and must be renewed every thirty days. All staff have received training on the Bribery Act, Data Protection Act and copies of these policies can be found on the NAM Intranet and as part of the Staff Handbook. An Information Asset Group responsible for all information assets has been established which reports annually to NAM Council.

Apart from financial controls, the Museum operates a Health and Safety Committee, Safe Guarding Committee, Collections Development Group and various other groups and committees to ensure the operations of the Museum are conducted with due diligence.

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Additionally, the MT reviews budgets and cost centres on a monthly basis to ensure that the spend profile is maintained and any anomalies are accounted for. To support the system, additional input is received from independent internal and external audit.

Internal Auditors

The Museum's internal auditors, Moore Stephens who work to the Public Sector Internal Audit Standards and provide an independent opinion on the matters subject to review through the internal audit programme.

The Museum has a Risk Matrix to support its management of risk in the "normal" operations of the Museum. This Risk Matrix is used to identify the work to be undertaken by the internal auditors. Council's A&RA Committee signs off the work programme and the same committee receives the internal auditors report at its end of year meeting.

The risks contained in the Risk Matrix have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The future internal audit programme will look at the remaining risks, which include the sufficiency of funding in the form of GiA.

This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. The Museum Director retains overall responsibility for the key control systems of the Museum and he supports directly the work of the A&RA Committee.

The internal auditors also provide an annual Statement of Assurance on the key areas of risk reviewed to the Accounting Officer and the NAM Council on the work performed in the year. The Internal Audit topics selected for this reporting period were based on the completion of the redevelopment project but, due to the delay in the project, were not completed. As a result, there is no Internal Audit report provided for this period and these topics will be visited in the next financial year.

External Auditors

The external auditor of the Museum is the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. The accounts are consolidated with the accounts of the NAM's trading subsidiary (NAMTL) who are audited by Kreston Reeves LLP. The NAO is invited to attend the regular meetings of the A&RA Committee which includes the "end of year" presentation of the Consolidated Accounts at its July Meeting, where it discusses its findings with the Committee.

Triennial Review

The Museum, along with the other service museums were subject to a Triennial Review which was carried out late 2015. The final report was received by the NAM Council at their 156th Meeting in July 2016 and they recognised the importance of the relationship between the Museum and the Sponsor Department and are working to ensure its implementation.

Risk Management

A Risk Management Statement has been drawn up with reference to the HM Treasury Publication - Risk Management Assessment Framework (2009), JSP 462 (April 2017) Financial Management and Charging Policy Manual, and the Cabinet Office & HM Treasury publication, *Your Delivery Strategy* (September 2001).

The NAM Council affirms that in all situations where MOD Grant-in-Aid is concerned, the appetite for risk is conservative. The need to pay the staff, fund the provision of utilities, ensure compliance with Health & Safety at Work and other legislation/mandatory requirements and curate the Collections leaves no room for the assumption of more extreme risks. In all other instances, Council's risk assessment is made on a case-by-case basis, and is reviewed by Council at its periodic meetings, having regard to the NAM's Strategic Plan, Business Plan and investment and other professional advice taken by Council and the Director General of the Museum, who reports to Council.

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As mentioned previously, regular reviews are carried out of the Risk Matrix and risks that are identified are addressed but in all cases, the A&RA Committee, acting on behalf of the NAM Council, reviews the matrix annually at its autumn meeting. The identification and evaluation of risk is an integral part of the NAM's performance management. Input into the Risk Matrix is museum-wide and all departments are required to provide input via their Heads of Division. The NAM assesses its risks under the following categories:

- a. Governance;
- b. Finance;
- c. Building;
- d. Security;
- e. Employment;
- f. Collections.

The Museum's Risk Matrix is maintained under the guidance of the A&RA Committee and focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. During this period in particular, the Committee reviewed the risks associated with the redevelopment project.

Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, which are being revised in line with the successful HLF funding application.

In addition to the operational risks of the NAM, the Building for the Future (BftF) project - the major redevelopment of the Museum - brings its own project specific risks. A register of these project risks is a requirement of the Heritage Lottery Fund (HLF) it identifies all risks to the BftF project and is managed by the external Project Manager. This is reported to, and reviewed by, the BftF Committee at their regular meetings and is also reported to the HLF at the regular meetings with the Project Board. The A&RA Committee, which receives, and comments on this register provide an added level of scrutiny.

Information Risk Management

The NAM's Information Asset Ownership group comprises of the Senior Information Risk Officer (SIRO) and Information Asset Owners (IAO) from across the Museum's divisions. The group ensures that the Museum's Information Assurance Policy, Data Protection Act and Freedom of Information Act Legislation is complied with. The group meets regularly and discusses the management of information held by the NAM.

All staff are required as part of their induction to carry out online training in accordance with the National Archives directives. Information Sharing Agreements are in place with bodies that share NAM information.

Any information issues that arise are handled by the appropriate IAO/s and referred to the group where necessary. Any incident of data loss or mishandling is handled in accordance with the Information Commissioners guidance and reported to his office as required.

There were no recorded instances of data loss during the year.

Statement of Assurance

We have responsibility, on behalf of the full NAM Council, for the overall effectiveness of the Museum's governance arrangements and comply with Corporate Governance in Central Government Departments Code of Practice 2011 so far as this may be seen to apply to an 'Arms-Length Body' (as defined in *Managing Public Money*).

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Auditors

These accounts are audited by the NAO on behalf of the Comptroller and Auditor General in accordance with current legislation. No non-audit services are provided to the Museum by the auditor.

The cost of the audit of the Museum and its trading company for 2016-17 is £24,150 (2015-16: £27,750) of which £20,000 relates to this year's audit of the Museum and £4,150 to the audit of NAMTL.

So far as the Accounting Officer (AO) and Council Members are aware, there is no relevant audit information of which the Museum's auditors are unaware. Furthermore, the AO and Council Members have taken all the necessary steps to make sure they are aware of any relevant information and to establish that the Museum's auditors are also aware of that information.

REMUNERATION AND STAFF REPORT

Remuneration Policy

The Director General of the Museum is employed by the Council of the National Army Museum on terms and conditions that are similar to MOD civil servants. She holds an open-ended appointment and her salary is set on an annual basis by the Remuneration and Appointments Committee of Council by reference to the recommendations of the Senior Salaries Review Body. She is the only senior civil service staff or equivalent employee of the Museum.

Other members of the Management Team are also employed on terms and conditions similar to MOD civil servants. Staff salaries are set by the Museum's Human Resources Department by reference to strict MOD guidelines and approved by the Director General.

The NAM operates a performance appraisal review (PAR) system, which broadly follows the guidelines of the MOD civilian system. The marking system is based on agreed aims and objectives between the Line Manager (LM) and the member of staff. Dependent on direction from MOD on whether it is paying performance awards in year, the Performance Award Group meet and then would then assign a value to marks in line with the MOD levels of award. The findings of the Group are then passed to the A&RA Committee for a further check before being passed to the Council for approval.

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Salary and Pension Entitlements (Subject to Audit)

The salary and pension entitlements of the Management Team of the Museum as detailed on page 21 were as follows (with comparative salary disclosures for 2015/16).

	Mrs J Murray £'000	Mr M O'Connor £'000	Miss T Scott £'000	Miss G Adkins £'000	Mr I Maine £'000 (from 08/06/15)	Miss D Watkins £'000 (from 17/09/15)	Ms L Palmer £'000 (from 17/10/16)	Mr D Bownes £'000 (to 11/05/15)	Miss R Gilbert £'000 (to 01/09/15)
Salary 2016/17	105-110	65-70	60-65	60-65	60-65	60-65	25-30	N/A	N/A
Performance pay 2016/17	5-10	N/A	0-5	N/A	N/A	N/A	N/A	N/A	N/A
Salary 2015/16	105-110	65-70	60-65	60-65	50-55	30-35	N/A	5-10	25-30
Performance pay 2015/16	5-10	N/A	N/A	0-5	N/A	N/A	N/A	N/A	N/A
Value of pension benefits for single total figure of remuneration									
2016-17 (alpha)	N/A	N/A	25	25	N/A	N/A	N/A	N/A	N/A
2016-17 (PCSPS)	28	18	2	-	N/A	N/A	N/A	N/A	N/A
2015-16 (alpha)	N/A	N/A	25	25	N/A	N/A	N/A	3	N/A
2015-16 (PCSPS)	30	20	5	N/A	N/A	N/A	N/A	N/A	N/A
Real increase in pension and related lump sum at 31st March 2017	0-2.5 plus N/A lump sum	0-2.5 plus N/A lump sum	0-2.5 plus 0-2.5 lump sum	0-2.5 plus N/A lump sum	0-2.5 plus N/A lump sum	0-2.5 plus N/A lump sum	0-2.5 plus N/A lump sum	N/A plus N/A lump sum	N/A plus N/A lump sum
Total accrued pension at 31st March 2017 and related lump sum	10-15 plus N/A lump sum	15-20 plus N/A lump sum	15-20 plus 45-50 lump sum	5-10 plus N/A lump sum	0-5 plus N/A lump sum	0-5 plus N/A lump sum	0-5 plus N/A lump sum	N/A plus N/A lump sum	N/A plus N/A lump sum
Cash equivalent transfer value at 31st March 2017 (PCSPS)	240	338	222	26	N/A	N/A	N/A	N/A	N/A
Cash equivalent transfer value at 31st March 2016 (PCSPS)	197	317	212	25	N/A	N/A	N/A	48	N/A
Cash equivalent transfer value at 31st March 2017 (alpha)	N/A	N/A	27	30	N/A	N/A	N/A	N/A	N/A
Cash equivalent transfer value at 31st March 2016 (alpha)	N/A	N/A	13	15	N/A	N/A	N/A	2	N/A
Real increase in cash equivalent transfer value as funded by employer (PCSPS)	28	18	1	-	N/A	N/A	N/A	N/A	N/A
Real increase in cash equivalent transfer value as funded by employer (alpha)	N/A	N/A	9	10	N/A	N/A	N/A	N/A	N/A
Annual pension receivable as at 31st March 2017 based on this being last day of service	12	17	18	5	N/A	N/A	N/A	N/A	N/A

NAO

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The full time equivalent salaries for 2016/17 for members of the Management Team who joined during the year are:
Ms L Palmer £60-65,000.

The full time equivalent salaries for 2015/16 for members of the Management Team who joined during that year are:
Mr I Maine £60-65,000 and Miss D Watkins £55-60,000.

The full time equivalent salaries for 2015/16 for members of the Management Team who left during that year are:
Mr D Bownes £60-65,000 and Miss R Gilbert £65-70,000.

Fair pay disclosure (Subject to audit)

	2016-17	2015-16
Band of highest paid director's total remuneration (£'000)	115-120	110-115
Median total remuneration	28,047	34,346
Remuneration ratio	4.2	3.3

Median total remuneration is calculated by excluding the remuneration of the highest paid director and by including full time equivalent remuneration for all staff. The remuneration ratio has increased due to changes in the composition of staff with the re-opening of the Museum.

The opening cash equivalent transfer value (CETV) figures as at 31 March 2017 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

None of the above received any benefits in kind during the year (2015/16 £Nil).

No members of the Council received any remuneration during the year (2015/16 £Nil). During the year reimbursements were made to members of the Council totalling £1,117 (2015/16 £1,373) for travel and subsistence and £Nil (2015/16 £Nil) for hospitality.

Staff Report (Subject to audit)

	2017	2016
	£'000	£'000
Staff costs comprise:		
- wages and salaries	2,291	2,197
- social security costs	235	178
- pension costs	287	333
- temporary staff and recruitment costs	448	210
	<hr/>	<hr/>
	3,261	2,918
	<hr/>	<hr/>

Excluding the Director General and members of the management team, no employees received remuneration for 2016-17 excluding pension contributions, greater than £60,000 (2015-16 no employees).

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The average number of senior management and staff was:

	2016/17	2015/16
Collections	29	28
Curatorial	21	24
Education	3	3
Publicity	3	3
Trading	9	2
Fundraising	2	3
	<u>67</u>	<u>63</u>

23 of the above staff are male and 44 female. 19 staff are employed on short term contracts with all other staff employed on a full time contract. The above includes 12 part time staff members.

Consultancy and off-payroll arrangements

The total expenditure on consultancy in the year was £19,610 (2016: £22,399).

NAM has engaged three individuals during the year under short term arrangements that could be seen to be similar to those envisaged by HM Treasury Guidance on off - payroll arrangements at a total cost of £139,620 (2016: £104,600).

At 31 March 2017 one of these arrangements was ongoing.

All of these arrangements were risk assessed to consider whether assurance was required that the individual is paying the right amount of tax and this assurance was obtained.

None of the engagements relate to the engagement of senior officials with significant financial responsibility.

Sickness and Absence data

The NAM employed 92 members of staff at 31 March 2017 (65 full-time and 27 part-time) and monitored sick absence as part of its commitment in promoting the health, safety and welfare of all members of staff. Information collated from the Department of Human Resources is available to the Museum's Management Team who are responsible for identifying potential risks arising from any patterns that may occur and also made available to NAM Council. During 2016-17, there were 260 (full time equivalent) days lost to sick absence compared to 301.5 days lost in 2015-16.

During the period, the average number of days' sickness absence per employee was 2.8 compared to 4.9 days in 2015-16 (long-term incidents of sickness absence have been excluded to give a more accurate picture of sickness absence at NAM). A policy on the management of attendance is in place to promote arrangements for dealing with sickness absence in a manner, which is fair and sensitive to staff, as well as minimising the effect of absences on operational requirements.

Equality, Diversity & Access

The NAM is an Equal Opportunities Employer.

The NAM is committed to providing a working environment in which members of staff are able to realise their full potential and contribute to the Museum's success.

The NAM will also take all reasonable steps to provide a work environment in which all workers are treated with respect and dignity and that is free of harassment. In order to create conditions, in which this goal can be realised, the NAM is committed to identifying and eliminating barriers, discriminatory practices, procedures, and attitudes throughout the Museum. Members of staff are expected and required to support this commitment, assisting in its realisation in all possible ways.

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It is the NAM's policy not to discriminate against its workers on the basis of their gender, sexual orientation, marital or civil partnership status, any gender reassignment, disability, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy or trade union membership or employment status. The NAM will not condone any form of harassment, whether engaged in by workers or by third parties such as clients, customers, contractors and suppliers. Our workers and applicants for employment shall not be disadvantaged by any policies or conditions of service, which cannot be justified as necessary for operational purposes.

The NAM shall, at all times, strive to work within legislative requirements as well as promoting best practice, and is committed to the development of a diverse workforce. The Museum has issued an Equal Opportunities Policy Statement, and undertakes equal opportunities monitoring.

Employee Consultation and Involvement

The Director General and Senior Management Team consult with the staff through the NAM's Staff/Management Forum, which was set up to encourage increased levels of communication and consultation across the whole of the Museum, and in shifting to a different and more progressive, delivery-focussed culture of working, exchanging views and ideas, discussing problems and planning for the future.

Communication and involvement with the staff is also maintained through various committees/groups, which include the Health & Safety Committee, regular Departmental and Divisional meetings, one-to-ones, monthly staff briefings and internal memoranda.

Employer Pensions

For 2016-17 employers' pension contributions for the Museum of £275,356 were payable to the PCSPS (2015-16 £2,197) at rates based on salary bands as follows:

Band one	-	£22,500 and under	20.0%
Band two	-	£22,501 - £45,000	20.9%
Band three	-	£45,001 - £76,000	22.1%
Band four	-	£76,001 and over	24.5%

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Members of staff not eligible to join the PCSPS are automatically enrolled in the National Employment Savings Trust (NEST) with employer pensions contributions of 1 per cent except in the case of senior staff where this rate is increased to 3 per cent.

Salary

"Salary" includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

Pension Benefits

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPPS). This scheme is an unfunded multi-employer defined benefits scheme but the NAM is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation is carried out periodically. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

Principal Civil Service Pension Scheme (PCSPPS)

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). From 30 July 2007 this also includes Nuvos and from 1 April 2015 Alpha. The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

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Pensions payable under the Classic, Premium and Classic Plus are increased annually in line with changes in the Pensions Increase Legislation. New entrants after 30 July 2007 may choose between membership of Nuvos, Alpha or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set between 3.8% and 8.05% dependent on salary. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up or commute some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as classic. For Nuvos, pension builds up each scheme year, at the rate of 2.3% of pensionable earnings, there is no automatic lump sum (but members have an option to take a tax free lump sum in exchange for part of their pension). Whilst Alpha will provide a defined benefit based on a career average salary.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee.

The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions.

The real increase in CETV is effectively funded by the employer. It takes account of the increase in accrued pension value due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

PARLIAMENTARY ACCOUNTABILITY

Regularity of Expenditure (Subject to Audit)

NAM receives Grant-in-Aid (GiA) from MOD in support of its overall activities.

The total operating GiA for the last five financial years being as follows:

	£'000
2016-17	5,906
2015-16	5,929
2014-15	5,740
2013-14	6,023
2012-13	6,276

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Part of the GiA is used to cover the salaries of staff paid directly by MOD whilst the remaining GiA is received by NAM in a separate bank account.

Controls and procedures are in place to ensure only allowable expenditure is incurred on this account. Annual budgets are prepared for the expenditure of this GiA with monthly reporting of actual expenditure and anticipated outturns being made to the Management Team coupled with regular reporting to the A & RA Committee.

These procedures help ensure that GiA is appropriately managed and that there is no overspend of GiA that cannot be funded from the Museum's other resources.

Other considerations (Subject to Audit)

NAM has no remote contingent liabilities that require notification to HM Treasury.

There are no contingent liabilities, gifts, fees, charges or losses and special payments requiring further disclosure that have not been reported elsewhere in these financial statements.

Long-term expenditure trends

Expenditure over the last five financial years as reported in the financial statements is summarised as follows:

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Staff costs	3,250	2,918	3,162	3,563	3,387
Premises costs	415	592	708	849	869
Collection maintenance	1,443	804	638	476	644
Events and promotion	504	437	410	290	442
Depreciation	482	420	454	752	767
Revaluation/Impairment of fixed assets	6,273	0	0	4,099	0
Administration and other	935	797	576	1,286	1,109
	<u>13,302</u>	<u>5,968</u>	<u>5,948</u>	<u>11,315</u>	<u>7,218</u>

Expenditure for 2016 and 2015 reduced by over £1 million a year from the average for the previous three years excluding the impairment provision as a result of temporary cost savings achieved by NAM during the Museum's closure.

This Report was approved by the Trustees on 7th July 2017 and signed on its behalf by:



MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF
CHAIRMAN, ON BEHALF OF
COUNCIL

7th July 2017

National Army Museum
7th July 2017

NAO
Audit Office

NATIONAL ARMY MUSEUM

AUDITOR'S REPORT

YEAR ENDED 31 MARCH 2017

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Army Museum for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flow and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Report disclosures that are described in those reports as having been audited.

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

As explained more fully in the Statement of Council's and Accounting Officer's Responsibilities, the Council and the Director General as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Army Museum's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by National Army Museum and the Group; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees Report and Report of Council to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

NATIONAL ARMY MUSEUM

AUDITOR'S REPORT

YEAR ENDED 31 MARCH 2017

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Group's and of National Army Museum's affairs as at 31 March 2017 and of the incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and the Parliamentary Accountability Report disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Charities Act 2011; and
- the information given in the Trustees Report and Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.


Sir Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Date 

NATIONAL ARMY MUSEUM
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31ST MARCH 2017

	NOTE	Unrestricted Funds	Restricted Funds	Total Funds 2016/17	Total Funds 2015/16
		£'000	£'000	£'000	£'000 (Note 3)
Income and endowments from:					
Donations and legacies	4				
Grant-in-Aid		5,906	126	6,032	6,555
Other		1	8,400	8,401	5,571
		<u>5,907</u>	<u>8,526</u>	<u>14,433</u>	<u>12,126</u>
Trading activities	4	41	0	41	45
Investments		0	10	10	8
		<u>5,948</u>	<u>8,536</u>	<u>14,484</u>	<u>12,179</u>
Other		3	0	3	1
TOTAL		<u>5,951</u>	<u>8,536</u>	<u>14,487</u>	<u>12,180</u>
Expenditure on:					
Raising funds	5	887	711	1,598	609
Charitable activities	5	5,770	5,934	11,704	5,359
TOTAL	6	<u>6,657</u>	<u>6,645</u>	<u>13,302</u>	<u>5,968</u>
Operating surplus/(deficit)		(706)	1,891	1,185	6,212
Net (losses)/ gains on investments		0	24	24	(11)
Net income/(expenditure)		<u>(706)</u>	<u>1,915</u>	<u>1,209</u>	<u>6,201</u>
Transfers between funds		(4,658)	4,658	0	0
Other recognised gains/(losses):					
Gains/(losses) on revaluation of fixed assets		0	0	0	862
Net movement in funds		<u>(5,364)</u>	<u>6,573</u>	<u>1,209</u>	<u>7,063</u>
RECONCILIATION OF FUNDS					
Total funds brought forward		66,601	36,646	103,247	96,184
Total funds carried forward		<u><u>61,237</u></u>	<u><u>43,219</u></u>	<u><u>104,456</u></u>	<u><u>103,247</u></u>

None of the Museum's activities were acquired or discontinued during the year. All of the Museum's recognised gains and losses for the year are included above.

The Statement of Financial Activities for the Charity alone is detailed in note 2 to the financial statements.

NATIONAL ARMY MUSEUM
CONSOLIDATED BALANCE SHEET
YEAR ENDED 31ST MARCH 2017

NOTE	2017				2016			
	Group		Charity		Group		Charity	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS								
Tangible assets	7	40,202	40,202	40,202	29,474	29,474	29,474	29,474
Heritage assets	8	<u>66,858</u>	<u>66,858</u>	<u>66,858</u>	<u>66,455</u>	<u>66,455</u>	<u>66,455</u>	<u>66,455</u>
			107,060	107,060		95,929	95,929	95,929
CURRENT ASSETS								
Stocks		68	0	0	36	0	0	0
Debtors	9	2,195	2,407	2,407	2,664	2,718	2,718	2,718
Investments	10	245	245	245	221	221	221	221
Cash at bank and in hand		<u>944</u>	<u>834</u>	<u>834</u>	<u>6,069</u>	<u>6,038</u>	<u>6,038</u>	<u>6,038</u>
		3,452	3,486	3,486	8,990	8,977	8,977	8,977
CURRENT LIABILITIES								
CREDITORS:								
Amounts falling due within one year	12	<u>(6,056)</u>	<u>(5,962)</u>	<u>(5,962)</u>	<u>(1,672)</u>	<u>(1,639)</u>	<u>(1,639)</u>	<u>(1,639)</u>
			(2,604)	(2,476)	7,318	7,338	7,338	7,338
NET CURRENT ASSETS								
			<u>(2,604)</u>	<u>(2,476)</u>	<u>7,318</u>	<u>7,338</u>	<u>7,338</u>	<u>7,338</u>
TOTAL NET ASSETS								
			<u>104,456</u>	<u>104,584</u>	<u>103,247</u>	<u>103,267</u>	<u>103,267</u>	<u>103,267</u>
RESERVES								
Unrestricted funds	13	61,237	61,365	61,365	66,601	66,621	66,621	66,621
Restricted Funds	13	<u>43,219</u>	<u>43,219</u>	<u>43,219</u>	<u>36,646</u>	<u>36,646</u>	<u>36,646</u>	<u>36,646</u>
	14	<u>104,456</u>	<u>104,584</u>	<u>104,584</u>	<u>103,247</u>	<u>103,267</u>	<u>103,267</u>	<u>103,267</u>

National Audit Office



(LIABILITIES)/

14/7/17
14/7/17

The financial statements were approved by the Council on 7th July 2017 and signed on its behalf by:

MRS JANICE MURRAY
 DIRECTOR GENERAL
 AND ACCOUNTING OFFICER

GENERAL SIR RICHARD SHIRREFF
 CHAIRMAN

The notes on pages 40 to 57 form a fundamental part of the these financial statements

NATIONAL ARMY MUSEUM
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 31ST MARCH 2017

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2016/17 £'000	Total Funds 2015/16 £'000
Cash flows from operating activities:				
Net cash provided by (used in) operating activities	(4,104)	16,739	12,635	7,201
<hr/>				
Cash flows from investing activities:				
Purchase of tangible assets	(441)	(17,042)	(17,483)	(7,921)
Purchase of heritage assets	0	(253)	(253)	(312)
Proceeds from sale of tangible assets	0	0	0	0
Net cash provided by (used in) investing activities	(441)	(17,295)	(17,736)	(8,233)
<hr/>				
Change in cash and cash equivalents in the reporting period	(4,545)	(556)	(5,101)	(1,032)
Cash and cash equivalents at the beginning of the reporting period	2,061	4,229	6,290	7,322
Cash and cash equivalents at the end of the reporting period	(2,484)	3,673	1,189	6,290

Analysis of cash and cash equivalents is given in note 11 of the financial statements.

Reconciliation of net income/(expenditure) to net cash flow from operating activities

Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(706)	1,915	1,209	6,201
Adjustments for:				
Depreciation charges	157	325	482	439
Revaluation of fixed assets	(22)	6,295	6,273	0
Loss (profit) on the sale of fixed assets	0	0	0	5
Donated heritage assets	0	(150)	(150)	0
Transfer between funds	(4,658)	4,658	0	0
(Increase) decrease in stocks	(32)	0	(32)	1
(Increase)/decrease in debtors	61	408	469	(443)
Increase (decrease) in creditors	1,096	3,288	4,384	998
Net cash provided by (used in) operating activities	(4,104)	16,739	12,635	7,201

The notes on pages 40 to 57 form a fundamental part of these financial statements

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of Preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)) and guidance issued by H.M. Treasury.

NAM meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

(b) Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiary, National Army Museum Trading Limited.

The Consolidated Statement of Financial Activities and Balance Sheet include the results and net assets of National Army Museum Trading Limited on a line by line basis.

The financial statements of National Army Museum Trading Limited used in consolidation are those for the period ended 31 March 2017.

(c) Incoming Resources

Incoming resources are included gross without the deduction of expenditure.

(d) Donations and Legacies

Grant-in-Aid is recorded on a received basis.

Grant-in-Aid is a payment by a public sector funder to finance part of NAM's operations in support of NAM's overall activities. Except where Grant-in-Aid has been awarded for a specific purpose such as the purchase of exhibits or redevelopment of NAM it is regarded as an unrestricted fund as it relates to the general operations of NAM without significant restrictions being placed on how the funds can be spent.

Other revenue grants including Heritage Lottery Fund grants are credited to incoming resources on the earlier of the date of receipt or when they are receivable, unless they relate to a grant for expenditure in future accounting periods, in which case they are deferred.

Grants for the purchase of fixed and heritage assets are credited to a restricted fund within incoming resources when receivable.

(e) Other Voluntary Income

The Museum derives voluntary income from donations, legacies, gifts and monies placed in donation boxes in the Museum. The income is recognised in the statement of financial activities where there is evidence of entitlement, receipt is probable and its amount can be measured reliably. Donated services and facilities are included as income based on management's judgement of their market value.

(f) Expenditure on Charitable activities

NAM has allocated its expenditure on charitable activities to the following areas of activity:

Collections costs are those incurred in acquiring and preserving objects and records relating to the British Army for the education, inspiration and enjoyment of the present generation and its successors, together with the presentation of the Museum's collections to its users.

Curatorial costs are those incurred in the research and interpretation of the Museum's collections to its users, including dealing with enquiries from the general public.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

Education costs are those incurred in engaging and educating the general public, including children, in historic and contemporary issues relating to the British Army.

Publicity costs are those costs that are incurred in promotion of the Museum, specific exhibitions and in support of the off site activities of the NAM.

(g) Allocation of support and governance costs

Support and governance costs are those functions that assist NAM but do not directly undertake either Charitable or Fundraising activities. These costs include general administration, finance, personnel and governance costs which support NAM's activities. These costs have been allocated between the cost of raising funds and expenditure on charitable activities. As the Museum was closed for most of the year any costs not directly attributable to a specific category have been allocated based on the cost of staff time incurred.

(h) Pensions Cost

The majority of Museum staff, are covered by the provisions of the Principal Civil Service Pension Scheme ("PCSPS"), which provides benefits based on final pensionable pay. The pensions cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Cabinet Office at rates determined from time to time by the Government Actuary's Department. PCSPS is a multi-employer scheme and NAM is unable to identify its share of any pension liability. Those staff not covered by the PCSPS are also entitled and are paid contributions to National Employment Savings' Trust or personal pension policies.

(i) Taxation

As a Registered Charity, the National Army Museum's charitable status has been recognised by HM Revenue & Customs. Non-recoverable Value Added Tax (VAT) arising from expenditure is charged to the statement of financial activities. All expenditure is stated net of any recoverable VAT.

All of the income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. All the taxable profits of the trading subsidiary are distributed to the Charity under Gift Aid. The Corporation Tax liability of the trading subsidiary for the period ending 31 March 2017 was £Nil (2016:£Nil).

(j) Tangible Fixed Assets and Depreciation

Fixed assets are stated at their estimated current cost. For land and buildings this estimate is based on independent professional valuations obtained every five years, updated in the intervening years by the application of appropriate government issued indices. For other assets, the estimate is based on historic cost updated thereafter by the application of these indices. Fixed assets with a cost of less than £1,000 are not capitalised.

Depreciation is provided on all tangible fixed assets on a straight-line basis over their estimated useful lives. These were principally:

Leasehold Buildings	48 years
Fit-out of Buildings	20 years
Plant and Machinery	21 years
Short Leasehold Improvements	41 years
Computer Equipment	5 years
Fixtures and Fittings	10 years

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

The useful lives for leasehold buildings, fit-out of buildings and plant and machinery have been based on those advised as part of the 2014 property revaluation. The 2017 property revaluation (see note 7) has updated these useful lives and these revised useful lives will be used for calculating depreciation in future years.

Assets under construction related to the redevelopment of NAM and were included at cost which includes directly attributable project costs and not depreciated until the asset was complete and brought into use. Indicies are not used to revalue these assets. With the reopening of the Museum in March 2017 these costs have been transferred to leasehold buildings.

The Museum continuously reviews its fixed assets to ensure they do not fall below recoverable amounts. Any asset that falls below its recoverable amount is adjusted to reflect the fall in value or is disposed of.

(k) Heritage Assets

(i) Valuation and Management

The NAM's permanent Collection was last revalued on 31st March 2010. As previously advised it was the intention to revalue the Collection every three years commencing with a revaluation on 31 March 2016 so as to more accurately reflect the value of heritage assets whilst managing available staff time and resources. With the redevelopment of the Museum during the period and the demands this has placed on the Museum's staff, no resources have been available to undertake this revaluation. The revaluation has therefore been delayed until resources become available after the Museum's reopening and the next revaluation is now expected to be on 31st March 2018.

Heritage assets comprise of approximately one million items. Some have been individually valued by curatorial staff. The remainder of the revaluation has been estimated based on the average value of different classes of item.

For valuation purposes the Collection was divided into two categories. The first category comprised Victoria Crosses, George Crosses, field marshals' batons, oil paintings and other high-value items of fine and decorative art, coatees, rare books, oral history interviews, sound discs and film records. These were valued by expert members of staff, some of them with the assistance of former colleagues. The valuations of the historic military vehicles part of the collection is supported by a third party valuation of the historic military vehicles made in 2008-9 by Julian Shoolheifer Limited (Fine Art Valuers) PO Box 186, Saffron Walden, CB10 9AY.

The remainder of the Collection was valued by expert members of staff on the basis of auction realisations, knowledge of their specialist areas and inflation-adjusted prices paid for exhibits purchased by the Museum.

(ii) Depreciation

Depreciation is not provided on historic heritage assets due to the fact that they have an indefinite life. The carrying value of individual items is reviewed and written down where required.

(iii) Preservation Costs and Management

Expenditure which, in the Council's view, is required to preserve or clearly prevent further deterioration of individual collection items is written off and recognised in the Statement of Financial Activities when it is incurred.

(iv) Acquisitions and Disposals

The Museum's collecting activities are subject to the availability of objects and financial resources with every effort made to achieve a balanced collection in terms of both geography and chronology. The Acquisition and Disposals Policy also takes into account the needs of other museums.

By definition, the Museum has a long-term purpose and maintains a permanent Collection in relation to its stated objectives. The Council accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items from the Museum's Collection.

Final approval for the disposal of a heritage asset rests with the Acquisition and Disposal Committee and this authority is devolved from the Museum's Trustees, the Council of the NAM. A curator recommends the object for disposal and relevant paperwork is counter-signed by the head of department concerned and the Assistant Director (Collections).

A copy of the Museum's Full Acquisition & Disposal Policy is available on its website.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

(l) Investments

Investments are included at their market value as at the year-end. Gains or losses arising from disposals of fixed asset investments, together with unrealised gains and losses are included in the statement of financial activities.

(m) Stocks

Stocks are stated at the lower of cost or net realisable value.

(n) Liabilities

Where expenditure has been incurred but remains unpaid at the year-end a liability is recorded by the Museum. Where amounts have not been invoiced an estimate is made of the amount to be accrued and included as a liability.

(o) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

All Museum leases are currently operating leases and it has no finance leases.

(p) Financial Instruments

The Museum's financial assets and liabilities consist of cash and cash equivalents, trade debtors, trade creditors, and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the Museum is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

(q) Restricted and unrestricted funds

Restricted funds are to be used for specified purposes as laid down by the donor, details of restricted funds are given in note 14 of the financial statements. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs.

Unrestricted funds are donations and other incoming resources received or generated for the Museum's charitable purposes.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

2. Statement of Financial Activities for the Charity alone

	Unrestricted Funds	Restricted Funds	Total Funds 2016/17	Total Funds 2015/16
	£'000	£'000	£'000	£'000
Income and endowments from:				
Donations and legacies				
Grant-in-Aid	5,906	126	6,032	6,555
Other	1	8,400	8,401	5,571
	<u>5,907</u>	<u>8,526</u>	<u>14,433</u>	<u>12,126</u>
Trading activities	1	0	1	1
Investments	1	10	11	8
	<u>5,909</u>	<u>8,536</u>	<u>14,445</u>	<u>12,135</u>
Other	3	0	3	1
TOTAL	<u>5,912</u>	<u>8,536</u>	<u>14,448</u>	<u>12,136</u>
Expenditure on:				
Raising funds	740	711	1,451	545
Charitable activities	5,770	5,934	11,704	5,359
	<u>6,510</u>	<u>6,645</u>	<u>13,155</u>	<u>5,904</u>
Operating surplus/(deficit)	(598)	1,891	1,293	6,232
Net gains/(losses) on investments	0	24	24	(11)
Net income/(expenditure)	<u>(598)</u>	<u>1,915</u>	<u>1,317</u>	<u>6,221</u>
Transfers between funds	(4,658)	4,658	0	0
Other recognised gains/(losses):				
Gains/(losses) on revaluation of fixed assets	0	0	0	862
Net movement in funds	<u>(5,256)</u>	<u>6,573</u>	<u>1,317</u>	<u>7,083</u>
RECONCILIATION OF FUNDS				
Total funds brought forward	66,621	36,646	103,267	96,184
Total funds carried forward	<u><u>61,365</u></u>	<u><u>43,219</u></u>	<u><u>104,584</u></u>	<u><u>103,267</u></u>

NAO
 National Audit Office
 TO:

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

3. Consolidated Statement of Financial Activities analysis of comparative amounts for year ended 31st March 2016

	Unrestricted Funds	Restricted Funds	Total Funds 2015/16
	£'000	£'000	£'000
Income and endowments from:			
Donations and legacies			
Grant-in-Aid	5,929	626	6,555
Other	14	5,557	5,571
	<u>5,943</u>	<u>6,183</u>	<u>12,126</u>
Trading activities	45	0	45
Investments	2	6	8
	<u>5,990</u>	<u>6,189</u>	<u>12,179</u>
Other	1	0	1
TOTAL	<u><u>5,991</u></u>	<u><u>6,189</u></u>	<u><u>12,180</u></u>
Expenditure on:			
Raising funds	575	34	609
Charitable activities	5,018	341	5,359
TOTAL	<u><u>5,593</u></u>	<u><u>375</u></u>	<u><u>5,968</u></u>
Operating surplus/(deficit)	398	5,814	6,212
Net gains/(losses) on investments	0	(11)	(11)
Net income/(expenditure)	<u>398</u>	<u>5,803</u>	<u>6,201</u>
Transfers between funds	(87)	87	0
Other recognised gains/(losses):			
Gains/(losses) on revaluation of fixed assets	49	813	862
Net movement in funds	<u>360</u>	<u>6,703</u>	<u>7,063</u>
RECONCILIATION OF FUNDS			
Total funds brought forward	66,241	29,943	96,184
Total funds carried forward	<u><u>66,601</u></u>	<u><u>36,646</u></u>	<u><u>103,247</u></u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

4. Income and endowments

	Unrestricted Funds	Restricted Funds	Total Funds 2016/17	Total Funds 2015/16
	£'000	£'000	£'000	£'000
(a) Donations and legacies comprise:				
Grant-in-Aid:				
-Operating	5,906	0	5,906	5,929
-Building redevelopment	0	0	0	500
-Exhibits	0	126	126	126
	<u>5,906</u>	<u>126</u>	<u>6,032</u>	<u>6,555</u>
Grants towards Building redevelopment:				
-Heritage Lottery Fund	0	6,153	6,153	3,859
-National Army Museum Foundation	0	1,350	1,350	0
-MOD in respect of LIBOR compensation fund	0	0	0	1,000
-Other	0	650	650	558
	<u>0</u>	<u>8,153</u>	<u>8,153</u>	<u>5,417</u>
Other restricted donations				
-Waterloo 200	0	0	0	12
- Grants for purchase of heritage assets	0	97	97	95
- Donated heritage assets	0	150	150	0
- John Ellerman Foundation	0	0	0	33
	<u>0</u>	<u>247</u>	<u>247</u>	<u>140</u>
Other unrestricted donations	1	0	1	14
Total other donations	<u>1</u>	<u>8,400</u>	<u>8,401</u>	<u>5,571</u>
Total donations and legacies	<u>5,907</u>	<u>8,526</u>	<u>14,433</u>	<u>12,126</u>
(b) Trading income comprises				
-Shop sales	3	0	3	3
-Other	38	0	38	42
	<u>41</u>	<u>0</u>	<u>41</u>	<u>45</u>



National Audit Office

NATIONAL ARMY MUSEUM
NOTED TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2017

5. Expenditure

(a) Expenditure on Raising Funds comprise:

	Trading	Fundraising	Total	Total
	£'000	£'000	2016/17 £'000	2015/16 £'000
Staff costs	260	185	445	263
Premises costs	4	14	18	24
Cost of sales	48	0	48	9
Subsidiary overheads	22	0	22	15
Depreciation and loss on disposal	10	35	45	36
Revaluation of fixed assets	132	450	582	0
Collections	0	43	43	2
General administration costs	11	113	124	145
Consultancy	0	1	1	2
Insurance and professional fees	4	12	16	10
Support costs	66	115	181	67
Governance	27	46	73	36
	<u>584</u>	<u>1,014</u>	<u>1,598</u>	<u>609</u>

(b) Expenditure on Charitable Activities comprise:

	Collections	Curatorial	Education	Publicity	Total	Total
	£'000	£'000	£'000	£'000	2016/17 £'000	2015/16 £'000
Staff costs	915	726	225	235	2,101	2,001
Premises costs	302	34	12	16	364	501
Collections maintenance	1,443	0	0	0	1,443	804
Event costs	0	0	45	0	45	127
Promotion costs	0	0	0	459	459	310
Depreciation and loss on disposal	193	88	31	40	352	309
Revaluation of fixed assets	2,510	1,142	398	523	4,573	0
General administration costs	203	93	32	43	371	296
Consultancy	8	4	1	2	15	15
Insurance and professional fees	67	30	11	14	122	99
Support costs	760	285	102	179	1,326	591
Governance costs	306	115	41	71	533	306
	<u>6,707</u>	<u>2,517</u>	<u>898</u>	<u>1,582</u>	<u>11,704</u>	<u>5,359</u>

(c) Governance and support costs comprise:

	2016/17				2015/16		
	Finance £'000	Human Resources £'000	Information Technology £'000	Total Support £'000	Governance £'000	Support £'000	Governance £'000
Staff costs	242	144	121	507	197	438	216
Premises costs	12	7	5	24	9	49	18
Depreciation	31	18	14	63	22	73	27
Revaluation of fixed assets	407	236	179	822	296	0	0
General administration costs	33	19	14	66	24	71	28
External audit	0	0	0	0	24	0	26
Internal audit	0	0	0	0	7	0	5
Consultancy	1	1	1	3	1	4	1
Insurance and professional fees	11	6	5	22	25	23	20
Trustees expenses	0	0	0	0	1	0	1
	<u>737</u>	<u>431</u>	<u>339</u>	<u>1,507</u>	<u>606</u>	<u>658</u>	<u>342</u>

NATIONAL ARMY MUSEUM
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Governance and support costs in respect of staff, premises, depreciation and administration have been allocated based on the estimated time spent by staff on these activities and the cost of these staff. Other costs have been allocated based on the amounts invoiced for these services.

Trustees expenses of £1,117 (2016: £1,373) relate to travel expenses reimbursed for 2 trustees (2016 – 2 trustees).

6. Total expenditure Total expenditure is stated after charging the following items:	Unrestricted Funds	Restricted Funds	Total 2016/17	Total 2015/16
	£'000	£'000	£'000	£'000
Auditors' remuneration				
- audit services	24	0	24	26
Staff costs				
- wages and salaries	2,277	14	2,291	2,197
- social security costs	234	1	235	178
- pension costs	287	0	287	333
- temporary staff and recruitment costs	448	0	448	210
	<u>3,246</u>	<u>15</u>	<u>3,261</u>	<u>2,918</u>
Capital costs includes £11,000 capitalised as part of assets under construction.				
Operating lease costs				
- land and buildings	192	0	192	308
- other	15	0	15	15
	<u>207</u>	<u>0</u>	<u>207</u>	<u>323</u>

NATIONAL ARMY MUSEUM
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7. Group and Charity Tangible Fixed Assets											
	£'000	Short Leasehold Improvements	Assets under construction	Computer Equipment	Fixtures & Fittings	Total					
	£'000	£'000	£'000	£'000	£'000	£'000					
VALUATION											
At commencement of year	19,633	770	10,093	398	892	31,786					
Additions at cost	0	0	17,042	92	349	17,483					
Transfers	27,135	0	(27,135)	0	0	0					
On revaluation	(7,914)	18	0	(1)	8	(7,889)					
Disposals	0	0	0	0	0	0					
At end of year	38,854	788	0	489	1,249	41,380					
DEPRECIATION											
At commencement of year	1,294	77	0	356	585	2,312					
Charge for year	325	19	0	35	103	482					
On revaluation	(1,619)	0	0	0	3	(1,616)					
Disposals	0	0	0	0	0	0					
At end of year	0	96	0	391	691	1,178					
NET BOOK VALUE											
At 31 March 2017	38,854	692	0	98	558	40,202					
At 31 March 2016	18,339	693	10,093	42	307	29,474					

NATIONAL ARMY MUSEUM
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Included in long leasehold land and buildings is a sum of £8,800,000 (2015/16 £6,600,000) for land, which has not been depreciated.

Gerald Eve, Chartered Surveyors undertook a valuation of the long leasehold land and buildings as at 31 March 2017 following the reopening of the Museum. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual and valued on the Depreciated Replacement Cost basis given the specialist nature of the property.

The valuation apportioned the total land and buildings as follows:

	£'000
Land	8,800
Structure of buildings	13,858
Fit-out of buildings	4,201
Plant and machinery	11,995
	<u>38,854</u>

The Museum is housed in a purpose built property in Chelsea on land owned by the Royal Hospital Chelsea, the lease is for 999 years at a peppercorn rent of one guinea per annum. The lease restricts the use of the building to that of a Museum for the collection, preservation and exhibition of objects and records relating to the history of the Military Forces of Her Majesty and her predecessors etc. All material tangible fixed assets are used in Direct Charitable Activities.

8. Heritage Assets

(a) Valuation

	Museum Collection £'000
At commencement of year	66,455
Additions	403
At end of year	<u>66,858</u>
Net Book Value at 31 March 2017	<u>66,858</u>
Net Book Value at 31 March 2016	<u>66,455</u>

	2017 £'000	2016 £'000
The valuation comprises:		
Exhibits	35,296	35,134
Fine and decorative arts	19,909	19,668
Archives, photographs, film and sound	10,500	10,500
Printed books	1,153	1,153
	<u>66,858</u>	<u>66,455</u>



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(b) Five year financial summary of heritage asset transactions

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
<u>Additions</u>					
Purchases	253	312	27	103	22
Donations	150	-	-	467	-
Total Additions	403	312	27	570	22
<u>Disposals</u>					
Carrying Value	-	-	-	11	3
Sale Proceeds	-	-	-	-	-

(c) Grant Received

During the year the Museum received grants towards the purchase of items for its collection of £126,000 (2016 - £126,000) as part of its Grant-in-Aid funding. It also received grants from other parties totalling £97,000 towards the purchase of heritage assets. These grants were used to fund the purchase of heritage assets noted above with any unspent grants being carried forward to fund future acquisitions.

	Group 2017 £'000	Charity 2017 £'000	Group 2016 £'000	Charity 2016 £'000
9. Debtors				
Trade debtors	7	4	52	50
Grant-in-Aid debtor	762	749	775	774
Prepayments and accrued income	136	132	181	180
Amounts due from subsidiary undertaking	0	232	0	58
Donations receivable	1,290	1,290	1,651	1,651
Other debtors	0	0	5	5
	2,195	2,407	2,664	2,718

	Group 2017 £'000	Charity 2017 £'000	Group 2016 £'000	Charity 2016 £'000
10. Unlisted Investments				
Investment in subsidiary undertaking (note 10a)	-	-	-	-
<u>Other investments</u>				
Market value at beginning of year	221	221	232	232
Add: acquisitions at cost	-	-	-	-
Less: disposals	-	-	-	-
Net unrealised investment (loss)/gains	24	24	(11)	(11)
Market value at end of year	245	245	221	221
Total unlisted investments	245	245	221	221

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Other investments consist of investments in collective investment schemes. The historic cost of these investments was £111,000 (2016 - £111,000).

10a. Investment in Subsidiary Undertaking

Investment in subsidiary undertakings represents the charity's interest in 100% of the issued share capital of National Army Museum Trading Limited which is incorporated in England and Wales and operates a souvenir shop and other trading activities for the Museum. The company's aggregate capital and reserves were as follows:

The assets and liabilities of the subsidiary were:

	2017	2016
	£'000	£'000
Fixed assets	-	-
Current assets	197	71
Creditors: amounts falling due within one year	(164)	(91)
Creditors: amounts falling due after more than one year	(162)	-
	<u>(129)</u>	<u>(20)</u>

	2017	2016
	£'000	£'000
Share capital	0	0
Deficit retained in subsidiary	(129)	(20)
	<u>(129)</u>	<u>(20)</u>

A summary of the Company's trading results is shown in note 10b. Audited accounts will be filed with the Registrar of Companies.

10b. Income from Trading Company

The Consolidated Statement of Financial Activities includes the result of the trading subsidiary as follows:

National Army Museum Trading Limited

	2017	2016
	£'000	£'000
Turnover	40	45
Cost of sales and administrative expenses	(148)	(65)
Interest receivable	0	0
Charitable contribution under Gift Aid	0	0
	<u>(108)</u>	<u>(20)</u>

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11. Cash and Cash Equivalents

	Group 2017 £'000	Group 2016 £'000
Cash at bank and in hand	944	6,069
Investments	245	221
	<u>1,189</u>	<u>6,290</u>

12. Creditors: Amounts falling due within one year

	Group 2017 £'000	Charity 2017 £'000	Group 2016 £'000	Charity 2016 £'000
Trade creditors	1,413	1,376	438	437
Accruals and deferred income	4,643	4,586	1,234	1,202
	<u>6,056</u>	<u>5,962</u>	<u>1,672</u>	<u>1,639</u>



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13. Funds Analysis	Balance 1 April 2016	Income	Expenditure	Transfers	Gains and losses	Balance 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
RESTRICTED FUNDS						
NAM Land and Buildings	18,339	0	(6,620)	27,135	0	38,854
Assets under construction	10,093	0	0	(10,093)	0	0
NAM Building for the Future Fund	4,228	8,156	0	(12,384)	0	0
Restricted Heritage Assets	3,195	150	0	253	0	3,598
Grant-in-Aid exhibits reserve	296	126	0	(144)	0	278
Grants for purchase of Heritage Assets	0	97	0	(97)	0	0
Funds for upkeep and maintenance of specific parts of NAM collection	456	7	(7)	(12)	24	468
Brothers in Arms (Esmée Fairbairn)	6	0	0	0	0	6
John Ellerman Foundation	33	0	(18)	0	0	15
	<u>36,646</u>	<u>8,536</u>	<u>(6,645)</u>	<u>4,658</u>	<u>24</u>	<u>43,219</u>
UNRESTRICTED FUNDS	66,601	5,951	(6,657)	(4,658)	0	61,237
TOTAL FUNDS	<u>103,247</u>	<u>14,487</u>	<u>(13,302)</u>	<u>0</u>	<u>24</u>	<u>104,456</u>

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The net transfer in the year of £4,658,000 from unrestricted funds to restricted funds relates to the cost of the redevelopment of the Museum funded from the Museum's general reserves.

The NAM Land and Buildings Fund represents the net book value of its Long Leasehold Land and Buildings. These assets were funded entirely by public donations in the period leading up to and after the acquisition of the lease and the building of the Museum in 1967. Under the terms of NAM's lease of the land and buildings they can only be used for the purposes of a Museum for the collection, preservation and exhibition of objects and records relating to the history of the Military Forces of Her Majesty and her predecessors and hence their classification as a restricted fund.

Assets under construction related to the redevelopment of these buildings.

The NAM Building for the Future Fund represented monies received towards the redevelopment of NAM's Chelsea building which remained unspent at the end of a financial year. It included monies received by way of additional Grant-in-Aid, Heritage Lottery Fund grants and amounts donated from the public.

Restricted Heritage Assets represent those assets acquired by NAM from restricted donations including the annual exhibits Grant-in-Aid.

The Grant-in-Aid exhibits reserve relates to specific Grant-in-Aid received for the purchase of heritage assets which remains unspent at the end of the financial year.

Funds for the upkeep and maintenance of specific parts of the NAM Collection relate to amounts transferred to NAM towards the upkeep and maintenance of various items of the Collection when these items were transferred or bequeathed to NAM which remain unspent at the end of the financial year.

The Brothers in Arms Esmée Fairbairn Fund is to be used to research the NAM's Indian Army collection, and to digitise related objects within the collection.

The John Ellerman Foundation Fund represents funds received towards the cost of a project officer to support the United Kingdom's regional network of regimental and corps museums.

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NATIONAL ARMY MUSEUM
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14. Analysis of Group Net Assets Between Funds

	Unrestricted Funds	Restricted Funds	Total 2017
	£'000	£'000	£'000
Tangible fixed assets	1,348	38,854	40,202
Heritage fixed assets	63,260	3,598	66,858
Net current assets	(3,371)	767	(2,604)
	61,237	43,219	104,456

Revaluation Reserve

No revaluation reserve analysis has been presented in these financial statements. The two principal assets subject to revaluation are NAM's Heritage Assets and Long Leasehold Land and Buildings. NAM does not have detailed records of the cost of these assets including those Heritage Assets acquired by means of donations and is therefore unable to calculate the amount of any revaluation reserve.

15. Operating Lease Commitments

At March 2017, the Museum had total future minimum commitments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
<u>Operating leases expiring:</u>		
Land and buildings:		
over five years	2,645	2,837
Other:		
within one year	9	6
within one to five years	27	16

16. Related Party Transactions

National Army Museum Trading Limited

The relationship of the Museum to the Company is disclosed in note 10a, and the balances due from the company at the year end are disclosed in note 9. Included in this balance is a loan of £200,000 repayable over five years and carrying interest at 1 percent per annum. Mr Bradley and Mrs Murray are directors of National Army Museum Trading Limited and also Members of Council or the Management Team of the Museum.

National Army Museum Foundation

The National Army Museum Foundation was incorporated under the Companies Act 2006 as a private company limited by guarantee. The Foundation is charged with raising funds to support the development of the National Army Museum. During the year the Foundation donated £1,350,000 (2016: £Nil) towards the redevelopment of the Museum.



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National Army Museum Development Trust

The National Army Museum Development Trust ("the Trust") is a registered charity, number 278939, connected with the Museum. The principal address of the Trust is care of the National Army Museum, Royal Hospital Road, London, SW3 4HT.

The funds of the Trust may be applied, at the discretion of the Trust's trustees, to further the charitable purposes of the Museum or other charitable purposes or institutions. The trustees may not, unless they see special reason, make a payment to the Museum without specifying the particular purpose for which it is to be used, being a purpose for which public funds are not expected to be available. There were no transactions between the National Army Museum and the National Army Museum Development Trust during 2016/17 and 2015/16.

The balance of funds held by the Trust at 31 December 2016 was £536,334 (31 December 2015 £448,373). The control and administration of these funds remains, at all times, the full responsibility of the Trust's trustees.

Society of Friends of the National Army Museum

The Society of Friends of the National Army Museum, a registered charity number 234325, did not provide any funding for the Museum in 2016-17 (2015/16 £Nil). The control and administration of these funds remains at all times the full responsibility of the Society's trustees.

Ministry of Defence

The National Army Museum is classified for administrative purposes by the Ministry of Defence ("the MOD") as an Executive Non-Departmental Public Body (ENDPB) which it sponsors. The MOD is regarded as a related party. Grant-in-Aid funding from the MOD is separately disclosed in note 4(a) of the Financial Statements.

17. Capital Commitments

	2017 £'000	2016 £'000
Authorised and contracted for at 31st March 2017	-	8,671
Authorised at 31st March 2017 but not contracted for	-	2,288

The prior year commitments related to building work to be undertaken as part of the Building for the Future.

18. Post Balance Sheet Events

The annual report and financial statements were authorised for issue by the Accounting Officer on the date that the audit certificate was signed by the Comptroller and Auditor General.

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