

Royal Air Force Museum Account 2015-16

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Presented to Parliament pursuant to Section 3(3) of the Government Resources And Accounts Act 2000 (Audit of Public Bodies) Order 2003

Ordered by the House of Commons to be printed on 21 July 2016

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ISBN: 9781910305607

Printed on paper containing 75% recycled fibre content minimum

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Administrative information

Address of the charity

Royal Air Force Museum
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Hendon
London
NW9 5LL

Registered charity number

244708

Names and addresses of other relevant organisations:

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Comptroller and Auditor General
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Solicitors

Devonshires
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Bankers

Barclays Bank Plc
PO Box 12820
Whetstone
London
N20 0WE

Foreword

Charitable Objects

The object of the charity is to educate and inform the public and members of the Royal Air Force about:

- The history and traditions of the Royal Air Force and
 - The role of the Royal Air Force in relation to the armed forces of the realm, other air forces and aviation generally
- in particular, but not exclusively, by collecting, conserving, preserving, managing, exhibiting and storing documents, items, artefacts and other materials in the collection.

The vision of the Museum is to ensure that the RAF's story endures and enriches future generations.

The RAF Museum will be a world-leading visitor destination that engages, inspires and connects everyone with the RAF story through exploration of its people and its collections.

Our purpose

The RAF has shaped our nation and our society. It has influenced how we live our lives today through its impact on world events, society and technology.

The purpose of the Museum is to tell the story of the RAF through its people and collections.

- For our nation, we help people to understand the impact of the RAF on the world.
- For visitors, we make our collections and the RAF story relevant and stimulating.
- For current and former RAF personnel and their families, we preserve, honour and share the stories of their service.

The Museum has a unique opportunity to help the Royal Air Force to celebrate its Centenary in 2018 while improving its story-telling and building up its resilience for the next century.

Three strategic priorities will shape its activities and ambitions for the next five years:

- Interpret the RAF Story
- Focus the Collection
- Invest in the RAF Museum

Performance Report

Overview

The Royal Air Force (RAF) Museum was established in 1965 and opened at the London (Hendon) site in 1972 as a legacy of the RAF's fiftieth anniversary. As we approach the RAF's Centenary in 2018 our vision and mission will link us more closely with the RAF story and its people. These will be delivered through an ambitious RAF Centenary Programme that will transform the Hendon site and a Centenary Legacy Programme that will complete this transformation through developments at Cosford that are due to complete in 2022.

The first stage of the RAF Centenary Programme, the 'First World War in the Air', opened successfully in December 2014 with generous support from the Heritage Lottery Fund (HLF) and BAE Systems plc. Fundraising for the subsequent phases due to open in 2018 has continued apace and the Museum has secured further pledges making up two thirds of the overall target for the capital programme; these include first round passes with the HLF and significant donations from the Government's LIBOR fines scheme together with several trust and foundation grants, corporate and individual donations.

As a further boost to the RAF Centenary Programme, the Board and Museum staff were delighted that the 'First World War in the Air' exhibition won the National Lottery's 'Best Heritage Project' 2015 through public voting securing considerable media coverage.

The recent launch of our public fundraising appeal, Names on a Plane, with three iconic aircraft on Horse Guards Parade also generated significant coverage and will provide a further boost to our fundraising efforts for the Centenary.

Strategic priority 1: Interpret the RAF story

Our research, exhibitions, and educational work all contribute to the Museum's priority to interpret the RAF story.

The Cosford Air Show, led by the RAF, again proved a hugely popular event and a tremendous success. In the 75th anniversary year of the Battle of Britain the Museum joined the commemorations with a weekend of tours and lectures, a concert and a vintage fair. The Museum also celebrated the 75th anniversary of the formation of the Air Training Corps (ATC) with a special display, created in close collaboration with the Cadets and opened by Carol Vorderman on 7 February 2016 at the London site with a display opening at Cosford Visitor Centre later in the year. Lunchtime and evening lecture programmes both in London and the West Midlands have helped to showcase research and support discussion and debate. A new Access and Learning Strategy, associated plan and procedures will play a leading role in the development and delivery of increased audience engagement – putting audiences of all ages at the heart of everything we do, and inspiring and engaging them with the RAF Story through the Museum's collections.

Looking to the future, both the RAF Centenary and Centenary Legacy Programmes will have a significant impact on how we interpret the RAF story, now and into the future.

As noted above, 2018 is a once-in-a-lifetime opportunity to mark the Centenary of the Royal Air Force. The RAF Centenary Programme will transform the Museum's London site into a world-class museum which will connect a global audience with the national celebrations and commemorations planned for 2018.

A warm welcome will be provided in a new visitor centre with clear orientation, café, shop, members' room and flexible-use spaces. A new restaurant will revitalise a disused historic building, connecting visitors with the site's RAF heritage. Three innovative exhibitions will explore the first 100 years of the RAF and invite visitors to imagine its future contribution and technology.

A new Learning Centre with bespoke learning facilities dedicated to the development and delivery of inspiring lifetime learning activities will support learning programmes and activities developed for and delivered in our unique galleries. We will ensure that the Learning Centre facilities deliver access for all, being designed with the widest range of participants and subject matter in mind.

Furthermore, we will work with our local communities to research our collections and develop interpretation and activities that reference our neighbourhood's unique airfield heritage. We will transform the landscape at the heart of our site to create 'sense of place' linked to that heritage. We will improve access and orientation and develop inspiring outdoor play and picnic spaces, creating a new 'village green' in an increasingly urbanised North London for both our local communities and other visitors.

Through 'RAF Stories', a digital project, people will contribute personal stories to enhance our understanding and sharing of RAF heritage, onsite and online. As a result, an expanded, more diverse audience will enjoy richer engagement with RAF heritage through our site, collections and people-focused interpretation.

These timely, ambitious changes, during a period of significant development in the north-west London area, will help create a much-needed community resource in a 21st century museum - inclusive, reflective, engaging and exciting. 2015-16 has seen much work in planning and developing these ideas, from site surveys to detailed designs now submitted for planning permission.

Master planning work also began at Cosford to explore how best to develop the site there over the medium to long term in order to better interpret the RAF story. This work includes plans to develop a learning centre and investigating options to bring an increasing amount of our stored collections into public view.

The RAF100 Joint Venture Appeal with the Royal Air Force, the RAF Benevolent Fund, RAF Association and the RAF Charitable Trust is now formally registered with the Charity Commission as well as being incorporated. The appeal company has been formed to enable the charities to come together to mark 100 years of the RAF and raise funds to support the partners' future work.

Strategic Priority 2: Focus the collection

The RAF Museum holds over 1.3 million objects representing the national memory of the RAF at work and play, war and peace. It includes:

The largest and most comprehensive collection of RAF related aircraft in the world, from the tiny Avro Rota autogyro, used for secret radar calibration missions before WW2, to the gigantic VC-10 transport aircraft, in service for nearly fifty years.

Objects ranging from uniforms and medals to unique personal items, including the record collection of T E Lawrence and personal effects of Amy Johnson, that bring the stories of the iconic figures of the RAF to life.

An extensive oral history collection, from first-hand accounts of First World War pilots to the experiences of personnel deployed in current operations.

Large official collections, from manuals to training films, illustrating the inextricable link between the RAF and its suppliers.

A new Collections Development Strategy and associated policies and procedures will be central to our delivery of effective museum management; the development of our collections is key to the Museum's own development and delivery of effective audience engagement.

After 50 years of formal collecting the Museum has an opportunity to reflect on past acquisitions, rationalise current collections, improve storage and transform collections access to connect all our audiences with the collections and the RAF story. The Museum will develop its collections to tell the rich and diverse story of the RAF through its people, culture, technology, timeline and places.

Objects will be collected, preserved and used proactively for a clear purpose of engagement, including exhibition, interpretation and research, in accordance with identified proactive collecting priorities.

The Museum has undertaken a Collection wide review and has established a Collections Review Committee which conducts assessment surveys on aircraft and makes recommendations for action which are in line with the Museum's Association Code of Ethics. In several cases this has led to movements between the two sites in order to better interpret the Collection. Where objects or aircraft are deemed to be surplus, or fall outside the Museum's Collection Development Strategy, wherever possible these are offered to accredited museums following the Museums' Association Disposals Toolkit guidelines.

During the year a new acquisition into the auxiliary collection, the VC-10 (C1K XR808), was successfully moved into its new display location at Cosford and formal handover and acceptance by the Museum took place at the end of October 2015. Development work for the supply of power and initial interior access to the VC-10 is underway. When complete this work will enable safe access to the forward section of the cabin and cockpit for both educational and commercial opportunities. The work was completed by GJD Engineering and supported by the RAF Charitable Trust, both of whose contributions were vital to the project's success.

Strategic Priority 3: Invest in the RAF Museum

In order to deliver against its first two strategic priorities the Museum must establish a stable and sustainable financial base from which to invest in its people and assets. This priority informs all of the Museum's work, notably the RAF Centenary Programme planning whose inspiring content will be underpinned at the London site by more energy efficient infrastructure and the design of spaces to grow secondary spend and thereby increase resilience.

Commercial development and sustainability is also being addressed with the launch of a Commercial Strategy which focuses on delivering new and improved experiences for visitors - examples include the expansion of the café area in London, open cockpit opportunities and ongoing work to improve the simulator and 4D experiences at both sites. In addition the Museum is delivering a broader range of activities, both during Museum hours and evening events such as 10k runs and film screenings.

The Museum has also identified a number of organisational efficiencies in order to both manage the pressures of ever more challenging public finances whilst seeking to deliver an improved visitor experience. A change consultation looking at several visitor-facing departments has been completed and an implementation plan is in place and underway. This will help to provide a structure to deliver a world class visitor experience.

A phase one, eighteen month Strategy for Digital Experience has been developed which concentrates on planning and investing in IT and digital infrastructure and staff skills as the platform on which more creative development will be based. This has been supported by budget allocation for 2016-17.

As a result of the progress made against the three strategic priorities, together with the performance of the Museum detailed below, the board is satisfied that the Museum is a going concern.

Performance analysis

The Museum uses a number of KPIs to regularly measure and assess its performance:

Key Performance Indicator:	2016	2015
Visitor numbers (including events such as the Cosford Air Show)		
■ London	347,537	355,692
■ Cosford	370,319	355,416
Trading income	2,591,801	2,373,221
Number of school visits		
■ London	640	623
■ Cosford	590	640
Visitor satisfaction ratings		
Enjoyment		
■ London	90%	86%
■ Cosford	93%	90%
Value for Money		
■ London	92%	88%
■ Cosford	94%	92%
Likelihood to recommend		
■ London	76%	60%
■ Cosford	84%	73%
Social media interaction (no. of Facebook followers, Twitter users and YouTube and Instagram subscribers)	92,017	63,630

These are reported to the board on a quarterly basis and reviewed by management on a monthly basis.

Visitor Numbers

Visitor numbers recovered in the second half of the year from a slow start compared to forecast, and, with the 2016 Easter holiday falling mostly in 2015-16 the Cosford figures for the year, exceeded the previous year. At Hendon the same trend was seen, with a much quieter start to the year, finally recovering and resulting in overall numbers being 2% down on 2014-15.

Trading Income

Despite these relatively flat visitor numbers, trading and self-generated revenues remain strong and profits exceeded budgets. From the above income, the trading subsidiary profits were up £92,000 on budget, however the gift aid payment to the Museum will be £357,964 (£18,000 in excess of the budget), with £73,502 retained in the trading subsidiary – necessary due to a recent change in guidance from the Charity Commission on the treatment of gift aid donations from trading companies to their parent charities.

School visits

The Museum's London site has welcomed over 34,000 students and teachers from 640 schools for formal learning sessions and self-guided tours. The Access and Learning team delivered 686 workshops - with primary schools studying topics related to the Second World War continuing to form the largest group. However, this year has also seen an increase in secondary schools and colleges visiting for engineering-related studies. The team have delivered 16 on-site talks/tours to 335 adult learners from the University of the Third Age in the same period

At Cosford the Schools Programme continued to flourish with well over 22,000 students and teachers from 590 schools using the Museum for educational activities. In all 680 school workshops were delivered. In November 2015 we hosted The Big Bang with over 900 children in attendance; this year it is hoped we will reach 1500. Science, Technology, Engineering and Maths (STEM) related visits have increased and we hosted at least 4 new events relating to STEM for both Primary and Secondary schools. Wartime Christmas activities were sold out and for the first time we ran a Wartime Christmas day for Home Educated children, which also sold out with over 130 people attending.

Visitor Satisfaction

The ALVA surveys show both sites achieving very high Enjoyment and Value for Money ratings which continue to grow year on year. Our visitors are highly likely to recommend a visit to other people and every area of assessment (including cleanliness, catering and orientation) is also showing improvement.

Social Media Interaction

Total visits to the Museum's main website were recorded at 1.3 million unique individuals reading 5.8 million pages of information (2014-15: 1.1 million unique visits).

The Museum's social media channels also showed substantial growth during the year with Facebook followers reaching 57,275 (up from 49,000), Twitter 31,200 (up from 28,500) and 34,500 (up from 32,000) monthly recipients of the Museum's e-newsletters. The YouTube site showed a 294,568 rolling total of visits with c.3,500 views a month.

Financial Review

Statement of Financial Activities

Income: The Museum received £8,561,120 of Grant in Aid (2015: £8,336,169). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £2,591,801 (2015: £2,373,221) (SOFA). Total Incoming Resources of the group amounted to £15,323,470 (2015: £13,090,536) (SOFA).

Resources Expended: The total of resources expended amounted to £13,400,433 (2015: £12,813,072) (SOFA). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £2,348,865 (2015: £25,573,843), the net movement of funds for the year was an increase of £1,923,037 (2015: £277,464) (SOFA).

Balance Sheet

The value of the group net assets has increased during the year, and now stands at £94,367,256 at the Year End (2015: £90,095,354) (Consolidated Balance Sheet).

The increase in the previous year was a direct result of the quinquennial revaluation of the Land and Buildings at the Museum sites by professional valuers.

Income and Costs of Generating Funds

Trading Company: Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced a turnover of £2,591,801 (2015: £2,373,221) (Note 4b) and the associated costs of trading were £2,234,027 (2015: £2,058,693) (Note 4b). During the year, a number of Museum staff and other resources were utilised in furtherance of those activities resulting in a cross charge amounting to £419,174 (2015: £293,600) being paid to the Museum. Gift aid of £284,462 (£357,964 less the £73,502 retained in the company) was due to the Museum for 2015/16 (2015: £314,000), of which £107,964, was outstanding at year end (£314,000) (Note 9).

Donations: During the year, a total of £3,543,341 (2015: £1,913,879) (Note 3) was received by way of donations to the work of the Museum. These were given by members of the public, legacies and by companies associated with the aerospace industry. The large increase is driven by the £2.5 million received from the treasury relating to funds generated from Libor fines. The figure includes a number of heritage assets valued at £7,500 (2015: £40,250) (Note 3), which the Museum also received during the year.

RAF Museum American Foundation: The American Foundation was incorporated in the United States of America on the 2 January 2002, and was granted exempt status from Federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31 May 2002. This is an independent organisation with separate and distinct management functions, established in order to raise funds in support of the work of the RAF Museum.

Reserves

The level of charitable unrestricted funds at 31 March 2016 was £1,843,402 (2015: £784,848) (Note 15).

During the year, and with reference to guidance from the Charity Commission, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of at least £500,000 in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities.

The Finance Committee monitors the levels of reserves at the Museum on a quarterly basis as part of their review of the Management Accounts. The Board of Trustees reviews the reserves policy when circumstances change and at least annually.

Payment of Creditors

The Museum's policy, in accordance with the Government-wide standard on the payment of creditors, is to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was an average of 38 days (2015: 33 days).

Investment Policy

The Trustees continually monitor levels of all the Charity's funds. Available funds are currently invested in a variety of term deposits to maximise the level of return but with minimum risk. The amounts and terms of the investments are based on the Trustees' opinion of the immediate and future needs of the Museum and the Chairman of the Finance Committee reviewed the principal deposits during 2015-16.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies). The fee for the audit of the Group 2015-16 accounts was £30,750(2014-15: £27,500). This includes the NAO fee of £23,500 and Hiller Hopkins fee of £7,250 for the audit of RAF Museum Enterprises Ltd.

So far as I, as Accounting Officer of the Museum and as we, as its Trustees, are aware:

- there is no relevant audit information of which the Museum's auditors are unaware; and
- we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Museum's auditors are aware of that information

Environmental Policy

The Museum has a number of initiatives in place which underpin the creation of a more sustainable and environmentally friendly organisation. These include energy conservation measures (for example the increased use of LED lighting), a comprehensive recycling programme and new building construction which is consistent with reducing the Museum's carbon footprint.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees
7 July 2016

Maggie Appleton MBE
Chief Executive Officer
Royal Air Force Museum
7 July 2016

Corporate Governance report

This report sets out the arrangements for the governance of the Museum, including the Board and committee structure for the Trustees. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the Board of Trustees and Accounting Officer.

Trustees have complied with their duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission. Trustees have also had due regard to the Commission's guidance on public benefit.

Chief Executive Officer's report and Governance Statement

The Governance Framework

The Royal Air Force Museum is a charity registered with the Charity Commission (registration number 244708) governed in accordance with a Deed of Trust dated 4 June 2007.

The Museum is an Accredited National Museum and Non-Departmental Public Body 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 which defines the arrangements between the Museum and its sponsor branch, the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This Framework is currently being updated in light of the department's triennial review.

The Trustees and the Committee Structure

The Royal Air Force Museum is governed by a Board of Trustees under the chairmanship of Air Chief Marshal Sir Glenn Torpy GCB CBE DSO. The Charities Act 2011 requires the Trustees to exercise proper stewardship over the Museum and to take care of its collections.

The Chief Executive Officer 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.

Trustees are appointed by the Secretary of State for Defence in accordance with the provisions of the public appointments process set out in the Office of the Commissioner of Public Appointments Code of Practice. They are appointed for a term of five years and can be appointed for a second term of equivalent length. The Board of Trustees may appoint up to three additional co-opted Trustees to serve on the Board and both co-opted Trustees and other individuals may serve on specific sub-committees to supplement the experience of Board members.

The Trustees receive induction training under the direction of the Chief Executive Officer and are encouraged to familiarise themselves with the Museum's operations through work in sub-committees where they are supported by the Museum's other Directors.

The Trustees would like to note their thanks to Sir Baz North for his immense support to the Museum. Sir Baz has stepped down as the RAF's observer on the Board following his retirement, and his successor as Deputy Commander Capability and Air Member for Personnel and Capability (AMP), Air Marshal Sean Reynolds, will take on the role. The Board welcomes Sean and wishes Sir Baz well for the future.

The Board of Trustees Sub-Committees

The Trustees have established a number of sub-committees for specific purposes and to ensure the effective conduct of business. These sub-committees comprise Audit & Risk, Finance (incorporating responsibility for Investment), Centenary Development (established to lead and support the fundraising for and governance of the Centenary Programme) and Staffing & Remuneration. The Museum also has a Research Board under the chairmanship of Professor Richard Overy.

The terms of reference of each of these sub-committees have been approved by the Full Board. The table below shows the number of meetings and attendance. Minutes of all Board and sub-committee meetings are maintained.

The Trustees have established two subsidiary companies, the shares of which are held by or on behalf of the Trustees although the decisions taken by these companies remain primarily their responsibility. The Board of Royal Air Force Museum Enterprises Ltd includes two independent non-executive Directors.

The following individuals served as Trustees during 2015-2016:

Board Member	Appointed	Further notes	Board Attendance	Sub-Committee attendance			Centenary Development
				Audit & Risk	Finance	Staffing & Remuneration	
Air Chief Marshal Sir Glenn Torpy GCB CBE DSO BSC (Eng) FRAeS FCGI	05-Jul-11	Chairman	4/4	-	-	-	2/4
Mr Malcolm White OBE FRAeS	24-Sep-12	Co-opted & Chairman Development Committee	3/4	-	-	1/2	4/4
Mr Brendan Connor	24-Aug-05	Term ended 6- Jul-15	1/1	-	1/1	-	-
Sir Gerry Grimstone	09-Dec-08	Chairman Audit & Risk Committee	3/4	3/3	-	-	-
Mr John Michaelson	09-Dec-08	-	3/4	-	-	-	-
Mr Robin Southwell	09-Dec-08	-	1/4	-	-	-	3/4
Mr Alan Spence	09-Dec-08	-	3/4	-	-	-	-
The Rt Hon Lord Hutton of Furness PC	05-Jul-11	Stepped down 28-Sept-15	0/2	-	-	-	0/1
Mr Michael Schindler	05-Jul-11	-	3/4	2/3	2/3	-	4/4
Mr Andrew Reid	05-Jul-11	-	3/4	2/3	-	-	2/4
Mr Richard Holman FCA	05-Jul-11	Chairman Finance Committee	4/4	-	4/4	-	3/4
Mr Alan Coppin	08-Jul-13	Co-opted	2/4	-	-	-	2/4
Dr Carol Cole	23-Mar-15	Chair of Staffing & Remuneration Committee	3/4	2/2	-	2/2	-
Dr Rodney Eastwood	23-Mar-15	-	4/4	-	1/2	2/2	-

Register of Interests

A register of Trustees' interests is maintained. Trustees are required to declare any interest, pecuniary or otherwise, in any matter being considered by the Board. In this period no such interests were declared.

The Board of Trustees' Performance

The principal achievements of the Museum during the year are highlighted elsewhere in these Financial Statements, including fundraising for the Centenary, the Cosford Air Show, the 75th Battle of Britain commemoration activities, and the 75th anniversary ATC display, and the Board have supported the organisation to achieve these. Specifically the Board has focused on the delivery of the Strategic plan, to give the Museum impetus in the lead up to the RAF Centenary.

Sub-committee minutes are circulated to all Trustees with routine papers for the quarterly meetings of the Full Board and sub-committee Chairs highlight any matters of particular concern for the attention of the Full Board.

There is a wide range of information and data (financial and otherwise) routinely available to Trustees, including detailed management accounts quarterly to the Finance Committee and summary management accounts quarterly to the Full Board, which the Board considers to be adequate management information.

Personal Data Loss

The Museum has not identified any personal data related incidents during 2015-16 or in the previous 5 financial years. 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 related, 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.

Internal Auditors

The Museum's internal auditors are 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 work programme is signed off by the Trustees' Audit & Risk Committee and the report of the internal auditors is received by that same sub-committee.

As part of this plan Moore Stephens have carried out several reviews this past year, including Security, Health and Safety and an assurance mapping exercise. The Internal Auditors provide an annual opinion, based upon the audit programme, on the overall adequacy and effectiveness of the Museum's framework of governance, risk management and control.

The internal auditors note that the Museum has gone through a significant level of management changes during the year and has focussed a great deal of attention in building a fundamentally more sound risk, internal control and governance framework as well as developing the public offer currently, and in the future, with the Centenary programme.

The work for 2015-16 noted that improvements were required in emergency responses, health and safety reporting, and some security systems. Furthermore improvements in reporting by finance and HR, though both understaffed during the year, were recommended.

Overall their opinion is that there is some risk that objectives may not be fully achieved and that improvements are required to enhance the adequacy and effectiveness of governance, risk management and internal control. Work to action the recommendations of these audits is underway.

The Audit and Risk Committee accept the opinion and findings of the Internal Auditors. Progress against recommendations will continue to be monitored by the Committee as part of the Internal Audit follow up review process.

External Auditors

The external auditor of the Museum is the Comptroller and Auditor General with the audit conducted by the National Audit Office. The external auditor of its trading subsidiary, Royal Air Force Museum Enterprises Ltd, is Hillier Hopkins LLP. The accounts are consolidated.

Risk Management

The Museum's internal control system is designed to manage risk to a reasonable level, rather than eradicate all risk of failure. It can only provide reasonable and not absolute assurance of effectiveness therefore. In managing risk we identify the opportunities and risks in achieving our strategic objectives, evaluate the likelihood of those risks being realised, the impact should they be realised and the controls in place to manage them efficiently and effectively. The Museum's approach to risk management and the process for implementation are in a Risk Management Strategy. The strategy is supported by our strategic risk register, which groups our highest priority risk areas into key strategic risks.

Risk management overall is viewed as a dynamic process which actively seeks to incorporate good practice. It is responsive and current and is managed through regular review of both internal developments and external factors – the political, social, economic, demographic, technological, environmental and legal developments that may influence our exposure to risks or opportunities.

As a Non Departmental Public Body (NDPB) the Museum has a low risk appetite in relation to compliance, regulation and to our key strategic risks. In areas where we aim to be relevant and influential, we are prepared to take calculated risks. Risk appetite is set by the Trustees and is then reviewed by SMT and any changes reported to the Audit & Risk Committee annually. The SMT determine whether our overall risk profile is commensurate with our risk appetite. The key risks identified and the actions taken to date are set out below.

The risk of 'financial stability' will remain high in a period of economic uncertainty. The RAF Museum corporate plan sets out to build a robust financial model for the future, with operational savings to be identified, trading activity to be increased, and programmes developed that attract funding support. Fundraising for the Centenary has been successful to date, with more still to raise to deliver the project as envisaged.

The Museum's robust visitor numbers in part address the risk of a 'loss of audience'. The Centenary plan focuses on ensuring that the Museum remains relevant to visitors through innovative exhibitions and programming, and seeks to capitalise on the regeneration in Colindale at the London site. The Museum in London will need to manage the projected reduction in visitors during the capital works through careful planning and marketing, and this is the reason for the medium risk level.

The Collections Review supports both care of the collection and development and delivery of exhibition programming. An important strand of this review is delivery of digitisation of the archives, opening access to audiences while ensuring collection care is maintained – this will require considerable investment which is the reason for the risk of 'failure to adequately care for collections' remaining at a medium level.

As with financial stability the risks from major incidents, of any nature, can only be mitigated to a certain amount through capital investment in infrastructure, such as IT to manage data loss risks and, and tightening of procedures in response to the potential of a major incident or health and safety failure.

The work to introduce a new organisational structure working across the business will help to mitigate the people risk in the organisation – however the risk remains high as the Museum must embed the new team and structures and make these work for the whole Museum.

Assurance Statement by the Audit & Risk Committee

The Audit and Risk Committee are reasonably confident that the reliability, integrity, quality and comprehensiveness of the assurances provided by the RAF Museum's internal and external auditors, and by management, are presently sufficient to support the Board and Accounting Officer in their decision making and in the fulfilment of their accountability obligations. Internal control issues have arisen over the course of the past year in the areas of emergency response, health and safety, finance and HR reporting and the work to address these issues is underway and is being monitored by the Audit and Risk Committee. The Audit and Risk Committee will continue to draw to the Board's and Accounting Officer's attention any matters of concern.

Statement of the Board of Trustees' and Chief Executive Officer's responsibilities

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

In preparing financial statements giving a true and fair view, the Board of Trustees is required to:

- observe any accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Under the law applicable to charities in England and Wales, the Board of Trustees is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Board to ensure that the financial statements comply with applicable law. The Board 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 Permanent Under-Secretary of the Ministry of Defence has appointed the senior full time official, the Chief Executive Officer, as the Accounting Officer for the Royal Air Force Museum. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of expenditure from Grant-in-Aid provided by Parliament and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

The Accounting officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that they are fair, balanced and understandable.

Remuneration and Staff Report

The figures in the remuneration and staff report are subject to audit.

In accordance with the Financial Reporting Manual the RAF Museum has prepared this report containing certain information about directors' remuneration. 'Directors' is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the Museum.

Single figure of total remuneration	Salary	Performance Related pay and bonuses	Benefits in kind (to nearest £100)	Pension Benefits	Total	Total
	2015-16 (2014-15)	2015-16 (2014-15)	2015-16 (2014-15)	2015-16 (2014-15)	2015-16	2014-15
Maggie Appleton MBE CEO	100-105 (20-25 Full year equivalent 95-100)	- (-)	- (-)	- (-)	100-105	20-25 Full year equivalent 95-100
Karen Whitting Director of Public Programmes	70-75 (65-70)	- (-)	- (-)	- (-)	70-75	65-70
Philip Walsh CFO	75-80 (5-10 Full year equivalent 75-80)	- (-)	- (-)	- (-)	75-80	5-10 Full year equivalent 75-80

Pension benefits	Real increase in pension and lump sum at pension age	Accrued pension at pension age at 31/03/16 and related lump sum	CETV at 31/03/16	CETV at 31/03/15	Real increase in CETV	Employer contribution to Nest pension Nearest £100
	£000	£000	£000	£000	£000	
Maggie Appleton MBE CEO	N/A	N/A	N/A	N/A	N/A	2,000
Karen Whitting Director of Public Programmes	N/A	N/A	N/A	N/A	N/A	1,400
Philip Walsh CFO	N/A	N/A	N/A	N/A	N/A	1,500

The total number of employees whose emoluments for the year exceeded £60,000 is given in note 6, together with information on staff numbers and costs.

None of the directors were members of the PCSPS and the Museum did not fund any Civil Service pension contributions for them in 2015-16. The Museum, under the auto-enrolment scheme (NEST) made employer's contribution to the directors' pension at the rate of 2% of their salary. The directors received no other benefits. All of the directors have contracts of employment carrying a period of notice of three months.

The remuneration ratio in the Museum is 4.82 (2015: 4.59) – this represents the pay of the highest paid director as a multiple of the median pay award (the median salary is £20,763 (2015: £21,560)). This is a direct consequence of the application of the Museum pay system which is based upon data supplied by Croner Rewards Ltd. The same data is used to determine the salaries of the Directors and any performance awards are made under the Museum appraisal-linked system which applies to all staff. The Directors are all full-time employees employed on standard terms and conditions.

The Board of Trustees comprised 12 members at 31 March 2016, including two co-opted trustees, none of whom were full time employees of the institution and they were reimbursed with £5,065 in expenses (2015: £264). 8 Trustees claimed expenses (2015: 2).

Sickness absence

The Royal Air Force Museum employed 176 members of staff as at 31 March 2016. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 7 days per person (2015: 5). Long term absences have been excluded. This paragraph is not subject to audit.

Pension Costs and Benefits

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Royal Air Force Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource account of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2015-16 employers' contributions of £173,889 were payable (2014-15 £172,811) through the PCSPS.

The applicable rates for the PCS pension scheme are shown below:

Gross Salary	Rate %
75,001 and over	24.5
45,001 – 75,000	22.1
22,001-45,000	20.9
Up to 22,000	20.0

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Pension benefits are provided through the Civil Service pension arrangements in place prior to 30th July 2007, with the unfunded cost of benefits met by monies voted by Parliament each year.

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

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension 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 Cash Equivalent Transfer Value (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 a 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 disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Reporting of civil service and other compensation schemes – exit packages

(Comparative data is shown in brackets)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	– (2)	– (–)	– (2)
£10,000–£25,000	– (1)	– (–)	–(1)
£25,000–£50,000	1 (–)	1 (–)	2 (1)
£50,000–£75,000	– (–)	– (–)	– (–)
Total number of exit packages	1 (3)	1 (1)	2 (4)
Total resource cost/ £	43,775 (19,487)	23,630 (47,500)	67,405 (66,987)

Redundancy and other departure costs have, where appropriate, been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by pension scheme and are not included in the table.

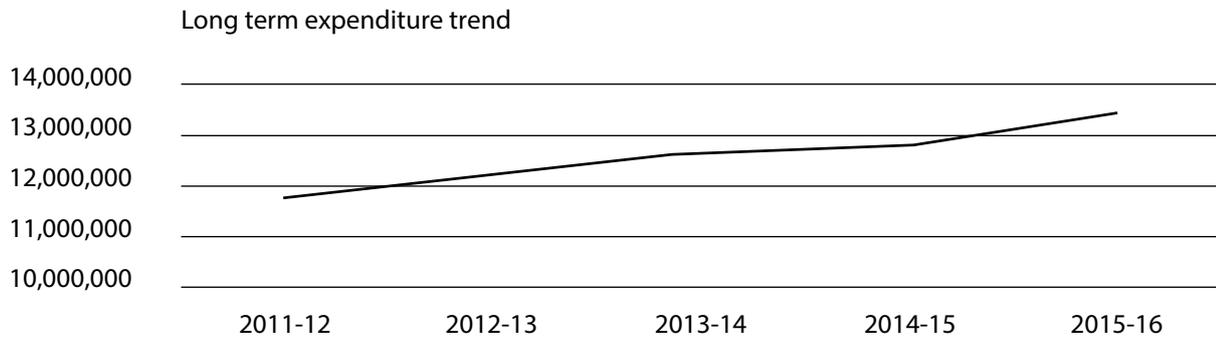
Other staff costs

Further details relating to the Museum's other staff costs can be found in Note 6 to the financial statements.

Parliamentary accountability and audit report

All expenditure is regular and has been applied as intended by donors and the Museum's sponsor body. 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. This paragraph is subject to audit.

Expenditure trend over the past five financial years is shown below:



The increase in expenditure over the past five years is a result of both cost inflation and the additional projects the Museum has embarked upon, such as First World War in the Air exhibition and the Centenary project. These projects have been funded out of increased self-generated income and donations.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees
7 July 2016

Maggie Appleton MBE
Chief Executive Officer
Royal Air Force Museum
7 July 2016

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 Royal Air Force Museum for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement 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 and audit report disclosures that are described in that report as having been audited.

Respective responsibilities of the Trustees, Chief Executive Officer and Auditor

As explained more fully in the Statement of Board of Trustees' and Chief Executive Officer's Responsibilities, the Trustees and the Chief Executive 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 Royal Air Force Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Royal Air Force Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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.

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 Royal Air Force Museum's affairs as at 31 March 2016 and of its 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 and audit 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 Annual Report 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 part of the Remuneration and Staff Report, and the Parliamentary accountability and audit 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 Corporate 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 KCB
Comptroller and Auditor General

18 July 2016

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

Consolidated Statement of Financial Activities for the year ended 31 March 2016

	Notes	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Total Funds 2015 £
Income from							
Donations and legacies							
Grant in Aid		8,561,120	–	8,561,120	8,336,169	–	8,336,169
Grants and donations	3	261,003	3,282,338	3,543,341	303,724	1,610,155	1,913,879
Charitable activities		70,510	–	70,510	64,907	–	64,907
Other trading activities							
Trading Income	4b	2,591,801	–	2,591,801	2,373,221	–	2,373,221
Fundraising events		115,801	–	115,801	125,304	–	125,304
Sponsorships		–	91,667	91,667	–	8,079	8,079
Investments		2,362	8,082	10,444	2,493	4,952	7,445
Other		335,030	3,756	338,786	256,770	4,762	261,532
Total income		11,937,627	3,385,843	15,323,470	11,462,588	1,627,948	13,090,536
Expenditure on							
Raising funds							
Fundraising	5	561,899	–	561,899	469,459	–	469,459
Trading	4b	2,234,027	–	2,234,027	2,058,693	–	2,058,693
Charitable activities							
Interpret the RAF story	5	6,419,782	1,315,141	7,734,923	6,348,922	1,029,576	7,378,498
Focus the collection	5	1,762,517	50,900	1,813,417	1,902,207	50,257	1,952,464
Invest in the Museum	5	1,056,167	–	1,056,167	953,958	–	953,958
Total expenditure		12,034,392	1,366,041	13,400,433	11,733,239	1,079,833	12,813,072
Net gains/(losses) on investments		–	(17,053)	(17,053)	(168)	35,662	35,494
Net income/(expenditure)		(96,765)	2,002,749	1,905,984	(270,819)	583,777	312,958
Transfers between funds		76,995	(76,995)	–	–	–	–
Other recognised gains and losses							
Gains/(losses) on revaluation of fixed assets		1,613,545	752,373	2,365,918	20,797,271	4,741,078	25,538,349
Net movement in funds		1,593,775	2,678,127	4,271,902	20,526,452	5,324,855	25,851,307
Reconciliation of funds							
Total funds brought forward at 1 April 2015		64,793,729	25,301,625	90,095,354	44,267,277	19,976,770	64,244,047
Total funds carried forward at 31 March 2016		66,387,504	27,979,752	94,367,256	64,793,729	25,301,625	90,095,354

Consolidated Balance Sheet for the year ended 31 March 2016

	Notes	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets					
Tangible assets (Excluding Heritage Assets)	7a	65,802,293	65,151,041	65,749,615	65,093,927
Heritage Assets	7b	21,202,115	21,061,639	21,202,115	21,061,639
Investments	4a	–	–	100,002	100,002
Total Fixed Assets		<u>87,004,408</u>	<u>86,212,680</u>	<u>87,051,732</u>	<u>86,255,568</u>
Current assets					
Stocks	8	138,291	168,367	–	–
Debtors	9	1,379,602	506,078	1,766,157	770,253
Investments	10	406,734	420,229	406,734	420,229
Cash at bank and in hand	11	6,966,164	3,837,197	6,516,541	3,525,779
Total Current Assets		<u>8,890,791</u>	<u>4,931,871</u>	<u>8,689,432</u>	<u>4,716,261</u>
Liabilities					
Creditors: Amounts falling due within one year	12	1,361,276	1,049,197	1,207,241	802,973
Net Current Assets		<u>7,529,515</u>	<u>3,882,674</u>	<u>7,482,191</u>	<u>3,913,288</u>
Creditors: Amounts falling due after more than one year		<u>166,667</u>	–	<u>166,667</u>	–
Net Assets/Liabilities		<u>94,367,256</u>	<u>90,095,354</u>	<u>94,367,256</u>	<u>90,168,856</u>
The funds of the charity	15				
Unrestricted funds		66,387,504	64,793,729	66,387,504	64,867,231
Restricted funds		27,979,752	25,301,625	27,979,752	25,301,625
		<u>94,367,256</u>	<u>90,095,354</u>	<u>94,367,256</u>	<u>90,168,856</u>

The notes on pages 26 to 41 form part of these financial statements

Approved by the Board of Trustees on 7 July 2016 and signed on its behalf by

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees

Maggie Appleton MBE
Chief Executive Officer
Royal Air Force Museum

Consolidated Cash Flow Statement for the year ended 31 March 2016

Reconciliation of net incoming resources to net cash flow from operating activities

	Total Funds	Total Funds
	2016	2015
	£	£
Net Incoming Resources	1,905,984	312,958
Interest receivable	(10,348)	(7,331)
Interest payable	2,107	1,401
Dividends received	(96)	(114)
Depreciation of tangible assets	2,256,137	1,724,892
(Profit)/loss on disposal of assets	70,900	–
(Gain)/loss on investment	17,053	(35,494)
(Increase)/decrease in stocks	30,076	(29,916)
(Increase)/decrease in debtors	(873,524)	285,558
(Decrease)/increase in creditors	478,746	125,447
Net cash flow from operating activities	<u>3,877,035</u>	<u>2,377,401</u>
Cash flows from investing activities		
Bank interest received	10,348	7,331
Finance charges paid	(2,107)	(1,401)
Dividends received	96	114
Purchase of tangible fixed assets	(753,347)	(1,053,124)
Proceeds from disposal of tangible fixed assets	500	–
Purchase of current asset investments	(3,558)	(4,979)
Net cash used in investing activities	(748,068)	(1,052,059)
Change in cash and cash equivalents	3,128,967	1,325,342
Cash and cash equivalents at 1 April 2015	3,837,197	2,511,855
Cash and cash equivalents at 31 March 2016	<u>6,966,164</u>	<u>3,837,197</u>

The notes on pages 26 to 41 form part of these financial statements

Notes to the Financial Statements for the year ended 31 March 2016

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention as modified by the revaluation of fixed assets.

The financial statements comply with the Statement of Recommended Practice: Accounting and Reporting by Charities ('SORP 2015') and with the Accounts Direction issued by HM Treasury (pages 34 to 37).

Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiaries, Royal Air Force Museum Enterprises Ltd and The Royal Air Force Museum Investments Limited. The Consolidated Balance Sheet includes the net assets of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Limited on a gross basis.

The financial statements of both Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Limited used in consolidation are those for the year to 31st March, 2016.

The Royal Air Force Museum Investments Limited was formed to hold, on behalf of the Trustees, the real property assets of the charity. In March 2005, the leasehold property was transferred to this company from the charity, and in January 2008, the freehold property followed.

Recognition of Incoming Resources

Grants and donations are recognised once the Museum can demonstrate that SORP 2015 recognition criteria of Measurement, Entitlement and Probability have been met. Earned income is accounted for as it is receivable. Donations in kind are recognised at their fair value, with an equivalent charge made to resources expended. Sponsorships are recognised in line with the sponsorship period.

Resources Expended

Resources expended are included in the statement of financial activities on an accruals basis, inclusive of any irrecoverable VAT. Expenditure is classified in the SoFA under the principle categories of raising funds and charitable activities.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they are allocated to activities according to the method described in note 5.

Commercial Trading Activities

Income from commercial activities is included in the period in which the group is entitled to its receipt

Restricted and Unrestricted Funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs. Unrestricted funds (including designated funds) are donations or other incoming resources received or generated for the charity's general purposes.

In prior years, the Museum presented Grant in Aid as a separate fund on the SoFA and Balance Sheet. Trustees have reviewed how the Museum discloses this information and have decided to present income and expenditure within unrestricted funds as this better fits the the presentation and disclosure requirements of the SORP. Prior year figures have been reanalysed and represented in order to provide comparatives.

Tangible Fixed Assets

The charity's tangible fixed assets are capitalised at historic cost on acquisition and revalued annually using the most appropriate indices calculated by Defence Economics for the relevant class of asset. Fixed assets with a cost of less than £2,500 are not capitalised. Trustees have chosen to raise the capitalisation threshold from £1,000 applied in previous years to better reflect the value of assets which are likely to have a long term use. Any gains or losses on revaluation are reported as unrealised until an asset is disposed. Depreciation is provided straight line at rates calculated to write off the value of each asset over its expected useful life, as follows:

Freehold buildings	over 30 to 50 years
Leasehold property	over the lease term
Fixtures, fittings and equipment	3 to 5 years
Plant and machinery	5 years
Simulator	15 years
Motor vehicles	4 years

Heritage assets are accounted for as a distinct category with indefinite life and are therefore not depreciated.

Assets in the course of construction are not depreciated or revalued until brought into use

Impairment

The RAF Museum assesses whether there is any indication of impairment for all fixed assets at the balance sheet date. A fixed asset is considered to be impaired if the recoverable amount of the asset has fallen below its carrying amount on the balance sheet, as a result of damage, deterioration or poor performance.

If any indication of impairment exists, the Museum shall estimate the recoverable amount of the asset, determined as the higher of its fair value less costs to sell the asset and its value in use. The method of estimation used shall be that deemed most suitable for the type of asset.

Where there is objective evidence that an impairment loss exists, an impairment charge will be made in the SOFA to reduce the carrying value of the asset to the estimated recoverable amount

Exhibition Costs

Long term exhibition equipment is capitalised as a fixed asset under fixtures and fittings. Temporary exhibition costs are written off as resources expended in the year they are incurred.

Heritage Assets

The Museum has a number of very strict policies on Heritage Asset acquisition, preservation and maintenance and disposals. The full list can be obtained from the RAF Museum Website, following the link:

<http://www.rafmuseum.org.uk/london/policy-performance/collections.cfm>

The Museum has been consistently reviewing and recording all the heritage assets on its database for several years now and the collection can be divided between the accessioned collection (catalogued and entered on the database), and the un-accessioned collection (not yet recorded).

Recognition And Valuation of Heritage Assets

Heritage assets valued over the capitalisation threshold which have been accessioned in to the collection on or after 1 April 2001 have been capitalised but not revalued or depreciated.

If available, valuation is based on acquisition costs increased by restoration costs (if applicable).

The Museum's response to the introduction of FRS 30 was to deploy internal resources to the task of valuation in respect of those exhibits which were added to the collection before 2001, and which represent a materially significant part of the collection.

Given the diverse nature of the collection, the unique nature of some items and also taking into account changing market conditions, the resulting valuations represent indicative estimates. The valuations of the most significant items from pre- 2001 period were added to the total value of all exhibits by the end of the year and the requirement of FRS30 has been met. The exhibits will not be re-valued in future periods; however impairment reviews will be periodically carried out by the Museum.

For donated assets, in most cases valuations are based on internal estimates determined by the relevant curator's experience and judgement, as an accurate figure is very difficult to establish. In some cases (e.g. a significant painting), a dealer may be sometimes consulted for advice.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at their market value. Term deposits of less than one year are classified as investments within current assets.

Dividends are recognised on the SoFA when received.

Leasing

Assets held under finance leases, where the lease terms give rights approximating to ownership, are capitalised with an equivalent liability recognised under creditors due within one and after one year as appropriate. Rentals payable under operating leases are charged to resources expended as they are incurred.

Stock

Stock is valued at the lower of cost and net realisable value. Specific provision is made for obsolete and slow moving items.

Financial Instruments

The Museum's financial assets and liabilities consist of cash and cash equivalents, short term investments, 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

Pensions

Pension benefits for a small number of longer serving staff are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

From May 2014 the Museum has automatically enrolled all staff into a NEST pension scheme unless the employees choose to opt out. The NEST pension scheme is a defined contribution pension scheme that was created as part of the government's workplace pensions reform under the Pensions Act 2008.

2 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31 March 2016 was £209 (2015: £nil).

3a Other grants and donations

	Un-restricted Fund	Restricted Funds	Total Funds	Total Funds
	2016	2016	2016	2015
	£	£	£	£
Exhibits Donated	–	7,500	7,500	40,250
Heritage Lottery Grant for First World War Exhibition	–	218,793	218,793	320,863
Heritage Lottery Grant for Centenary Programme	–	45,952	45,952	–
Libor	–	2,500,000	2,500,000	–
Other Donations for Centenary Project	–	341,837	341,837	1,005,000
Cosford Air Show Donation	–	50,192	50,192	40,700
Donation towards VC-10	–	40,286	40,286	41,000
GLA Grant for Wi-Fi	–	–	–	69,391
Other	261,003	77,778	338,781	396,675
	261,003	3,282,338	3,543,341	1,913,879

4a Investment in subsidiary undertakings

Of the investment of £100,002 (2015: £100,002), £100,000 represents the charity's interest in 100% of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows:

	2016	2015
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	52,678	57,114
Current assets	840,789	659,753
Creditors: amounts falling due within one year	(793,467)	(690,369)
	100,000	26,498
	2016	2015
	£	£
At 1 April, 2015	26,498	25,823
Profit/(Loss) retained in subsidiary	73,502	675
At 31 March, 2016	100,000	26,498

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

The remaining £2 represents the charity's interest on 100% of the issued share capital of The Royal Air Force Investments Limited, which is incorporated in England and Wales and holds the real property assets of the charity for administrative purposes.

The Directors of RAF Museum Enterprises Limited have assessed that the subsidiary is a going concern and the Trustees are content, therefore, that the investment in the subsidiary retains its value.

4b Income from trading company

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

Royal Air Force Museum Enterprises Limited

	2016	2015
	£	£
Turnover	2,591,801	2,373,221
Cost of sales, administrative expenses and taxation.	(2,234,027)	(2,058,693)
	357,774	314,528
Interest receivable	190	147
Interest paid	–	–
Net Profit/(Loss)	357,964	314,675
Repayment of historic excess gift aid from the RAF Museum	73,502	–
Gift Aid to RAF Museum	(357,964)	(314,000)
Surplus (Deficit) in subsidiary	73,502	675

5 Resources expended

As required by the charity SORP, expenditure is analysed between that directly attributable to activities and support costs. These support costs are allocated to activities based on the criteria outlined below. Trustees have used the introduction of the new charity SORP as an opportunity to re-evaluate the charitable activities disclosed in the financial statements and have chosen to align them with those included in the Museum's five year corporate plan. The prior year figures have also been reanalysed to enable comparison.

In addition, support costs have been grouped to better reflect the charity SORP's definition of support costs. Again, prior year figures have been reanalysed to reflect the change.

	Directly attributable costs	Support costs	Depreciation	Total 2016	Total 2015
	£	£	£	£	£
Fundraising	500,000	60,106	1,793	561,899	469,459
Trading	2,234,027	–	–	2,234,027	2,058,693
Interpret the RAF story	5,164,714	848,367	1,721,842	7,734,923	7,378,498
Focus the collection	1,114,062	186,020	513,335	1,813,417	1,952,464
Invest in the museum	945,117	111,050	–	1,056,167	953,958
Total	9,957,920	1,205,543	2,236,970	13,400,433	12,813,072

Allocation of support costs	Raising funds	Trading	Interpreting the RAF story	Focusing the collection	Investing in the museum	Total 2016	Total 2015	Allocation method
	£	£	£	£	£	£	£	
Finance	9,604	–	105,146	23,016	19,525	157,291	176,184	Expenditure
Digital	3,561	–	105,949	18,698	–	128,208	83,334	Number of staff
HR	1,833	–	54,538	9,624	–	65,995	78,050	Number of staff
Estates	94	–	89,884	26,797	–	116,775	207,530	Floor space
Admin	22,178	–	242,820	53,153	45,093	363,244	385,496	Expenditure
Governance	22,836	–	250,030	54,732	46,432	374,030	272,639	Expenditure
	60,106	–	848,367	186,020	111,050	1,205,543	1,203,232	

The National Audit Office audit fee of £23,500 (2015: £20,500) is included within governance costs.

6 Staff costs and numbers

	Total Funds	Total Funds
	2016	2015
	£	£
Salaries and wages	4,236,635	4,413,606
Temporary agency staff	1,015	1,818
Social security costs	400,115	421,934
Pension costs	234,785	212,021
	<u>4,872,550</u>	<u>5,049,379</u>

The above costs exclude the trading subsidiary.

The average number of employees in the Museum during the year was 176 (2015: 181). FTE equivalent was 168 (2015: 170)

Employees whose emoluments amounted to over £60,000

	2016	2015
60,000 - 70,000	1	2
70,001 - 80,000	2	-
80,001 - 90,000	-	1
100,001 - 110,000	1	-

7a Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2015	51,351,600	12,656,100	4,835,967	576,928	–	21,061,639	90,482,234
Additions	54,367	2,492	99,336	23,631	361,644	212,876	754,346
Disposals	–	–	(57,993)	(8,548)	–	(72,400)	(138,941)
Revaluations	1,786,897	569,282	13,818	1,080	–	–	2,371,077
At 31 March 2016	<u>53,192,864</u>	<u>13,227,874</u>	<u>4,891,128</u>	<u>593,091</u>	<u>361,644</u>	<u>21,202,115</u>	<u>93,468,716</u>
Depreciation							
At 1 April 2015	–	–	3,772,084	497,470	–	–	4,269,554
Charged in the year	1,285,477	621,824	315,210	33,626	–	–	2,256,137
Disposals	–	–	(57,994)	(8,548)	–	–	(66,542)
Revaluations	–	–	4,515	644	–	–	5,159
At 31 March 2016	<u>1,285,477</u>	<u>621,824</u>	<u>4,033,815</u>	<u>523,192</u>	<u>–</u>	<u>–</u>	<u>6,464,308</u>
Net Book values							
At 31 March 2016	<u>51,907,387</u>	<u>12,606,050</u>	<u>857,313</u>	<u>69,899</u>	<u>361,644</u>	<u>21,202,115</u>	<u>87,004,408</u>
At 1 April 2015	<u>51,351,600</u>	<u>12,656,100</u>	<u>1,063,883</u>	<u>79,458</u>	<u>–</u>	<u>21,061,639</u>	<u>86,212,680</u>

Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets Under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2015	51,351,600	12,656,100	4,162,877	321,392	–	21,061,639	89,553,608
Additions	54,367	2,492	92,425	23,631	353,824	212,876	739,615
Disposals	–	–	(57,993)	(8,548)	–	(72,400)	(138,941)
Revaluations	1,786,897	569,282	13,818	1,080	–	–	2,371,077
At 31 March 2016	<u>53,192,864</u>	<u>13,227,874</u>	<u>4,211,127</u>	<u>337,555</u>	<u>353,824</u>	<u>21,202,115</u>	<u>92,525,359</u>
Depreciation							
At 1 April 2015	–	–	3,129,061	268,981	–	–	3,398,042
Charged in the year	1,285,477	621,824	305,240	24,429	–	–	2,236,970
Disposals	–	–	(57,994)	(8,548)	–	–	(66,542)
Revaluations	–	–	4,515	644	–	–	5,159
At 31 March 2016	<u>1,285,477</u>	<u>621,824</u>	<u>3,380,822</u>	<u>285,506</u>	<u>–</u>	<u>–</u>	<u>5,573,629</u>
Net book values							
At 31 March 2016	<u>51,907,387</u>	<u>12,606,050</u>	<u>830,305</u>	<u>52,049</u>	<u>353,824</u>	<u>21,202,115</u>	<u>86,951,730</u>
At 1 April 2015	<u>51,351,600</u>	<u>12,656,100</u>	<u>1,033,816</u>	<u>52,411</u>	<u>–</u>	<u>21,061,639</u>	<u>86,155,566</u>

Group tangible fixed assets as at 31 March 2016 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited with a net book value of £52,678 (2015: £57,114). While the Museum is required to follow H. M. Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its fixed assets.

The Museum's freehold property was professionally revalued as at 31 March 2015. The revaluation was carried out by Gerald Eve, Chartered Surveyors and Property Consultants, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Freehold property, which comprises the RAF Museum site, Hendon, was valued on the basis of depreciated replacement cost.

On the 21 January 2008 the title of the deeds to the Museum's freehold property was transferred from the former Trustees to a subsidiary, The Royal Air Force Museum Investments Limited.

On 16 March 2005, the ownership of the leasehold property at Cosford, was transferred from the Charity, to a subsidiary company, The Royal Air Force Museum Investments Limited.

However, while the legal ownership remains with the company, in substance the RAF Museum retains the risks and rewards associated with these assets. In accordance with FRS 5 the RAF Museum has recognised these assets in the balance sheet.

There are no Tangible Fixed Assets held under Finance Leases in the Royal Air Force Museum Group.

7b Heritage Assets

The number of Heritage Assets which the Museum acquires through donations means that the total book value of Heritage Assets is a mixture of cost (for purchased exhibits) and valuation (for donated exhibits). At 31 March 2016 the book value comprised:

	2016	2015
	£	£
Heritage Assets recorded at cost	2,504,858	2,299,482
Heritage Assets recorded at valuation	18,697,257	18,762,157
Total book value of heritage assets	<u>21,202,115</u>	<u>21,061,639</u>

Summary of Heritage Asset Acquisitions and Disposals over the last five years

Year ended	31.03.2012	31.03.2013	31.03.2014	31.03.2015	31.03.2016
	£	£	£	£	£
Book value brought forward	18,103,334	18,883,444	20,152,140	21,005,430	21,061,639
Add acquisitions					
Purchased At cost	23,124	58,095	816,490	15,959	205,376
Donated At valuation	307,700	1,330,601	236,800	40,250	7,500
Total acquisitions	330,824	1,388,696	1,053,290	56,209	212,876
Revaluations	449,286	-	-	-	-
Disposals	-	(120,000)	(200,000)	-	(72,400)
Book value carried forward	<u>18,883,444</u>	<u>20,152,140</u>	<u>21,005,430</u>	<u>21,061,639</u>	<u>21,202,115</u>

8 Stocks

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Goods for resale	138,291	168,367	-	-

9 Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	194,830	214,406	32,929	86,425
Amounts due from subsidiary undertaking	-	-	457,963	97,290
Other debtors	155,344	118,317	155,344	151,166
Prepayments and accrued income	1,029,428	173,355	1,011,957	121,372
Gift Aid donation from the subsidiary	-	-	107,964	314,000
	<u>1,379,602</u>	<u>506,078</u>	<u>1,766,157</u>	<u>770,253</u>

10 Investments – group and charity

	2016	2015
	£	£
Quoted investments:		
Market value on 1 April 2015	420,229	379,756
Additions	3,558	4,979
Net unrealised investment (losses)/gains	(17,053)	35,494
Market value at 31 March 2016	406,734	420,229
Historical cost at 31 March 2016	370,868	370,868

11 Cash at bank and in hand

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Commercial bank accounts	6,953,347	3,825,187	6,510,558	3,525,779
Cash in hand	12,817	12,010	5,983	–
	6,966,164	3,837,197	6,516,541	3,525,779

12 Creditors – Amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Amounts owed to subsidiary undertakings	-	-	73,504	2
Trade creditors	668,900	666,385	548,089	544,707
Taxation and social security	114,552	102,200	88,580	93,001
Other creditors	18,106	9,222	17,897	8,583
Accruals and deferred income	559,718	271,390	479,171	156,680
	1,361,276	1,049,197	1,207,241	802,973

13 Reconciliation of net cash flow to movement in net funds

	2016	2015
	£	£
(Decrease)/increase in cash in period	3,128,967	1,325,342
Cash inflow from investment dividends	3,558	4,979
Change in net funds resulting from cash flow	<u>3,132,525</u>	<u>1,330,321</u>
Change in market value of liquid resources	(17,053)	35,494
	<u>(17,053)</u>	<u>35,494</u>
Net funds at 1 April 2015	4,257,426	2,891,611
Net funds at 31 March 2016	<u>7,372,898</u>	<u>4,257,426</u>

14 Analysis of net funds

	1 April 2015	Cash flow	Other changes	31 March 2016
	£	£	£	£
Cash at bank and in hand (See note 11)	3,837,197	3,128,967	-	6,966,164
Current asset investments	420,229	3,558	(17,053)	406,734
	<u>4,257,426</u>	<u>3,132,525</u>	<u>(17,053)</u>	<u>7,372,898</u>

15 Statement of Group Funds

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Analysis of group net assets between funds				
Tangible fixed assets	64,377,849	22,626,559	87,004,408	86,212,680
Cash at bank and in hand	1,687,728	5,278,436	6,966,164	3,837,197
Other net current assets	321,927	241,424	563,351	45,477
Net non current assets	-	(166,667)	(166,667)	-
Total assets less current liabilities	66,387,504	27,979,752	94,367,256	90,095,354
Net assets	66,387,504	27,979,752	94,367,256	90,095,354

Analysis of funds	2015 £	Income £	Expenditure £	Revaluation £	Transfers £	2016 £
Restricted funds						
Fixed assets	17,603,713	-	(819,096)	-	348,491	17,133,108
Revaluation reserve	4,741,078	-	-	752,373	-	5,493,451
Cosford sprinklers	650,000	-	(2,492)	-	(66,578)	580,930
Building 52 renovation	500,000	-	-	-	(500,000)	-
MoD maintenance	87,385	-	(41,886)	-	(20,597)	24,902
Watchtower Funds	430,740	8,082	(70,126)	(17,053)	-	351,643
World War I Exhibition	-	218,793	(174,272)	-	(44,289)	232
Centenary Project	1,005,000	2,979,456	(197,342)	-	290,473	4,077,587
Collections Care Officer	-	27,000	(27,000)	-	-	-
Air Show Funds	76,756	50,192	-	-	-	126,948
Cosford LMA Funds	42,941	10,285	-	-	-	53,226
Bomber Command Hall Refurbishment Fund	95,491	-	-	-	-	95,491
VC-10	36,709	40,286	-	-	(76,995)	-
Other Projects	31,812	51,749	(33,827)	-	(7,500)	42,234
Total Restricted Funds	25,301,625	3,385,843	(1,366,041)	735,320	(76,995)	27,979,752
Unrestricted funds						
Fixed assets	43,270,618	-	(1,509,441)	-	405,856	42,167,033
Revaluation reserve	20,597,271	-	-	1,613,545	-	22,210,816
General	784,848	11,710,908	(10,524,951)	-	(127,403)	1,843,402
Designated funds						
Bomber Command Hall	9,478	-	-	-	-	9,478
Centenary Project	-	77,719	-	-	(77,719)	-
VC-10	-	40,000	-	-	(40,000)	-
Purchase grant	131,514	109,000	-	-	(83,739)	156,775
Total Unrestricted Funds	64,793,729	11,937,627	(12,034,392)	1,613,545	76,995	66,387,504
Total Funds	90,095,354	15,323,470	(13,400,433)	2,348,865	-	94,367,256

Restricted funds

A significant proportion of these funds represents the capitalised value of restricted and inalienable fixed assets. This also includes the restricted element of the heritage assets.

Restricted income funds consist of a number of funds where the donors have specified the uses to which they may be put:

Cosford sprinklers – a grant from the Ministry of Defence for the installation of a sprinkler system at the Cosford site

Building 52 renovation – a grant from the Ministry of Defence for the renovation of Building 52 at Hendon

MoD maintenance – a grant from the Ministry of Defence to go towards specific small scale maintenance projects across all 3 sites

World War I Exhibition – grants and donations towards the renovation of the Grahame White Factory and the staging of the First World War in the Air Exhibition

Centenary Project – grants and donations towards the redevelopment of the Hendon site leading up to the RAF Centenary

Collections Care Officer – grant from the Esmee Fairburn Foundation towards funding the salary of a collections care officer

Air Show – donations received relating to the Cosford Air Show which are restricted for use at the Cosford Site

Cosford LMA – donations received relating to the Large Model Aircraft show which are restricted for use at the Cosford site

Bomber Command Hall Refurbishment – for the restoration of the historic Bomber Command Hall

VC-10 – for the restoration and fit out of the VC-10 aircraft at Cosford

The Museum also has several small restricted funds for use on specific short term projects most of which complete within the space of twelve months

Unrestricted funds

A significant proportion of these funds represents the capitalised value of restricted and inalienable fixed assets, including unrestricted heritage assets

General Funds - these are funds that are expendable at the discretion of Trustees.

Unrestricted designated funds

These are funds that Trustees have set aside for a specific purpose. The use of each fund reflects the equivalent restricted fund of the same name

The purchase grant represents funding provided by the Ministry of Defence which Trustees have designated to use in acquiring new items for the collection. This year it was mainly spent in relation to the VC-10.

Transfers

Generally, transfers between funds represent the capitalisation of fixed assets. Trustees also transferred £500,000 from the Building 52 renovation fund to the Centenary fund to reflect that the renovation of this building is within the scope of the Centenary project.

The transfer between restricted and unrestricted funds of £76,995 represents the recognition of the VC-10 as an unrestricted heritage asset.

16 Commitments

The Group has no current Finance Lease Obligations.

During the year, the Museum made operating lease payments amounting to £598,545 (2015: £573,444). At the 31 March 2016, the Museum had annual commitments under non-cancellable operating leases as follows:

	Group and charity	
	2016	2015
	£	£
Operating leases expiring:		
Plant and machinery:		
within one year	–	–
in the second to fifth years	45,989	45,097
Land and Buildings:		
after five years	530,150	530,150
	576,139	575,247

Capital Commitments

There were no other Capital Commitments at 31 March 2016.

17 Related Parties

Related parties with which the Museum had transactions during the year or balances at the year end were as follows:

Royal Air Force Museum Enterprises Ltd

The relationship of the Museum to the company is disclosed in note 4, and the balances due from the company at the year end are disclosed in note 9.

The Royal Air Force Museum Investments Limited

The company was formed to hold, on behalf of the Trustees, the real property assets of the charity and thus minimise the administrative burden whenever a change in Trustees takes place. The leasehold property was transferred to this company from the charity in March 2005 and the freehold property in January 2008.

Ministry of Defence

The Royal Air Force Museum is a Non-Departmental Public Body, sponsored by the Ministry of Defence (the MOD). The MOD is regarded as the related party. Grant in Aid funding from the MOD is separately disclosed in the Statement of Financial Activities.

The Trustees' involvement with the RAF Museum Enterprises Ltd and the RAF Museum Investments Ltd is disclosed in the Governance statement on page 12.

Sir Gerry Grimstone (Chair of the Museum Audit & Risk Committee) is also the Ministry of Defence Lead Non-Executive Director.

18 Contingent Liabilities

There were no contingent liabilities as at 31 March 2016 (2015: Nil)

19 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.

There were no other post balance sheet events.

20 Museum only SOFA

Notes	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Total Funds 2015 £
Income from						
Donations and legacies						
Grant in Aid	8,561,120	–	8,561,120	8,336,169	–	8,336,169
Grants and donations	545,465	3,282,338	3,827,803	617,724	1,610,155	2,227,879
Charitable activities	70,510	–	70,510	64,907	–	64,907
Other trading activities						
Fundraising events	115,801	–	115,801	125,304	–	125,304
Sponsorships	–	91,667	91,667	–	8,079	8,079
Investments	2,172	8,082	10,254	2,346	4,952	7,298
Other	754,204	3,756	757,960	605,670	4,762	610,432
Total income	10,049,272	3,385,843	13,435,115	9,752,120	1,627,948	11,380,068
Expenditure on						
Raising funds						
Fundraising	571,739	–	571,739	469,459	–	469,459
Charitable activities						
Interpret the RAF story	6,771,389	1,315,141	8,086,530	6,697,821	1,029,576	7,727,397
Focus the collection	1,802,670	50,900	1,853,570	1,902,207	50,257	1,952,464
Invest in the Museum	1,073,741	–	1,073,741	953,959	–	953,959
Total expenditure	10,219,539	1,366,041	11,585,580	10,023,446	1,079,833	11,103,279
Net gains/(losses) on investments	–	(17,053)	(17,053)	(168)	35,662	35,494
Net income/(expenditure)	(170,267)	2,002,749	1,832,482	(271,494)	583,777	312,283
Transfers between funds	76,995	(76,995)	–	–	–	–
Other recognised gains and losses						
Gains/(losses) on revaluation of fixed assets	1,613,545	752,373	2,365,918	20,797,271	4,741,078	25,538,349
Net movement in funds	1,520,273	2,678,127	4,198,400	20,525,777	5,324,855	25,850,632
Reconciliation of funds						
Total funds brought forward at 1 April 2015	64,867,231	25,301,625	90,168,856	44,341,454	19,976,770	64,318,224
Total funds carried forward at 31 March 2016	66,387,504	27,979,752	94,367,256	64,867,231	25,301,625	90,168,856

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DG Ref: 11188