

Royal Air Force Museum Account 2016-17

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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

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Administrative information

Address of the charity

Royal Air Force Museum
Grahame Park Way
Hendon
London
NW9 5LL

Registered charity number

244708

Names and addresses of other relevant organisations:

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Comptroller and Auditor General
National Audit Office
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Victoria
London
SW1W 9SP

Solicitors

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London
EC2M 7DT

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. The Museum will celebrate and commemorate this anniversary through a major transformation of our visitor experience sharing the RAF story on site and online.

A multi-million-pound transformation of the RAF Museum's London home will welcome visitors to discover a new green heart of the community in Colindale, reflecting the historic RAF Hendon airfield. New, innovative galleries will explore the first 100 years of the RAF, its roles today and invite visitors to imagine its future contribution and technology. A new digital sharing project will promote a conversation with a global audience and help connect people to the RAF story.

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 towards the overall target for the capital programme of £25.6 million; these include the HLF and significant donations from the Government's LIBOR fines scheme together with several trust and foundation grants, corporate and individual donations. In addition, this financial year Trustees have designated £393,000 of the Museum's self-generated income towards the Programme.

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.

A new Access and Learning Strategy drives 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 and stories of its people.

The Museum's Research Strategy and Programme is supported by a voluntary Research Board, chaired by Professor Richard Overy. In 2016-17 the programme included the Trenchard Lectures – an evening series hosted in partnership with the Royal Aeronautical Society and the University of Wolverhampton – and two lunchtime lecture series focusing on air power during the First World War and Cold War periods. The Museum is also hosting two PhD students, one in partnership with the University of Exeter funded by an AHRC Research and Enterprise in Arts and Creative Technology Collaborative Studentship and one in partnership with King's College London supported by a Professor Sir Richard Trainor Scholarship. In September 2016, the Museum ran a two-day international conference in conjunction with the Royal Aeronautical Society on the theme of Air Power: Now and the Future, which included speakers both from the UK and abroad.

The Archive and Library received over 3550 written and around 2000 telephone enquiries from the public. Over 460 researchers engaged with the collections by visiting the Reading Room at our London site.

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.

The capital transformation of the London site, planned for June 2018, will offer a warm welcome through a new visitor centre with clear orientation, café, shop, members' room and flexible-use spaces. Three innovative exhibitions will explore the first 100 years of the RAF and invite visitors to imagine its future contribution and technology. A new restaurant will revitalise a disused historic building, connecting visitors with the site's RAF heritage.

A new Learning Centre with bespoke facilities dedicated to the development and delivery of inspiring lifetime learning activities will support programmes and activities developed for and delivered in our unique galleries.

These facilities will 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. 2016-17 saw these plans become a reality, with enabling works complete, capital works contractors onsite, and exhibitions ready for tendering. The site is transforming and the Trustees and leadership team hugely appreciate the dedication of staff and volunteers and the patience of the public during these works.

The Centenary Programme includes some smaller improvements at Cosford and, in the meantime, Master Planning work has been completed for the Cosford site – exploring 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 bring increasing amounts of our stored collections into public view along with new exhibitions and learning spaces.

The RAF100 Joint Venture Appeal with the Royal Air Force, the RAF Benevolent Fund, RAF Association and the RAF Charitable Trust 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, and the Museum's share of this is accounted for here as a joint venture.

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.

The Collections Development Strategy and associated policies and procedures are central to our delivery of effective museum management; and key to the 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 continue to 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 exhibitions, interpretation and research, in accordance with identified proactive collecting priorities.

The Museum is undertaking a comprehensive collection wide review and its Collections Review Committee assessment surveys make recommendations for action which are in line with the Museum's Association Code of Ethics. In several cases this has led to movement of objects 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. All disposals must be approved following the Museum's Disposals Policy and Procedures.

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 where 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 addressed via the Commercial Strategy which focuses on delivering new and improved experiences for visitors - examples include the expansion of the café area in London, expansion of the shop in Cosford, 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, food festivals and film screenings.

The Museum has also identified a number of organisational efficiencies in order both to manage the pressures of ever more challenging public finances whilst seeking to deliver an improved visitor experience.

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:	2017	2016
Visitor numbers (including events such as the Cosford Air Show)		
■ London	335,729	347,537
■ Cosford	357,546	370,319
Trading income	2,339,882	2,591,801
Number of school visits		
■ London	587	640
■ Cosford	738	590
Visitor satisfaction ratings		
Enjoyment		
■ London	90%	90%
■ Cosford	92%	93%
Value for Money		
■ London	91%	92%
■ Cosford	93%	94%
Likelihood to recommend		
■ London	69%	76%
■ Cosford	82%	84%
Social media interaction (no. of Facebook followers, Twitter users and YouTube and Instagram subscribers)	107,590	92,017

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

Visitor Numbers

The Museum at both sites followed the trend for lower visitor numbers across the sector. This is in part due to the lack of an Easter holiday period in the 2016-17 year, and in London the disruption caused by the capital works has also had an effect.

Trading Income

Despite the challenges of a disrupted site in London and the above visitor numbers, trading and self-generated revenues have performed reasonably well. From the above income, the trading subsidiary profits were down with the gift aid payment to the Museum totalling £120,000 (2015-16: £358,000).

School visits

The London Access and Learning team welcomed 587 schools, including 43 Special Educational Needs schools, bringing 26,952 students to the Museum. 5,034 visitors came with Scout, Air Training Corps, RAF recruits and community groups. The team delivered 23 outreach sessions to 1,246 people. 205 lifelong learners attended our special on-site talks for retired adults, supported by the City Bridge Trust and the Heritage Lottery Fund.

At Cosford the Schools Programme continued to flourish with well over 29,000 students and teachers from 738 schools using the Museum for educational activities. In all 800 school workshops were delivered. Several new Science, Technology, Engineering and Maths (STEM) events were run this year including a STEM Learning festival which attracted 26 schools, the glider challenge which saw 10 teams compete and Engineering UK returning with 20 schools, double the previous year. Beyond Image was also a new event hosted on International Women's Day, at which several key speakers addressed young women from four schools about career choices. The event was so successful it has already been booked for next year.

Visitor Satisfaction

The ALVA surveys show both sites achieving very high Enjoyment and Value for Money ratings considerably outperforming the Museums and Galleries average each year. Our visitors are also highly likely to recommend a visit to others.

Social Media Interaction

Total visits to the Museum's main website were recorded at 1.2 million (1,217,876) unique individuals reading 4 million (3,986,608) pages of information (2015-16: 1.3 million unique visits). This is slightly lower than the previous year, due to a re-launch of the website as fully responsive in May 2016.

The Museum's social media channels showed steady growth during the year with Facebook followers reaching 65,425 (up from 57,275), Twitter 36,300 (up from 31,200) and 37,779 (up from 34,500) monthly recipients of the Museum's e-newsletters. The YouTube site showed a 393,950 rolling total of visits with c.5,950 views a month.

Financial Review

Statement of Financial Activities

Income: The Museum received £8,792,544 of Grant in Aid (2016: £8,561,120). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £2,339,882 (2016: £2,591,801) (SOFA). Total Incoming Resources of the group amounted to £17,211,111 (2016: £15,323,470) (SOFA).

Resources Expended: The total of resources expended amounted to £15,842,863 (2016: £13,400,443 (SOFA)). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £1,294,778 (2016: £2,348,865), the net movement of funds for the year was an increase of £1,368,248 (2016: £1,923,037) (SOFA). The £2,578,823 loss shown against unrestricted funds is driven by a one-off £2,369,189 loss on disposal of fixed assets relating to buildings and machinery demolished and disposed of as part of the redevelopment of the London site.

Balance Sheet

The value of the group net assets has increased during the year, and now stands at £97,030,282 at the Year End (2016: £94,367,256) (Consolidated Balance Sheet).

The Land and Buildings at the Museum sites are revalued by professional valuers on a quinquennial basis, with the last valuation taking place in 2014-15.

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 £2,339,882 (2016: £2,591,801) (Note 4b) and the associated costs of trading were £2,219,750 (2016: £2,234,027) (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 £415,901 (2016: £419,174) being paid to the Museum. Gift aid of £120,228 was due to the Museum for 2016-17 (2016: £284,462 (£357,964 less the £73,502 retained in the company)), of which £120,228, was outstanding at year end (£107,964) (Note 9).

Donations: During the year, a total of £4,758,279 (2016: £3,543,341) (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 figure includes a number of heritage assets valued at £24,750 (2016: £7,500) (Note 3), which the Museum also received during the year.

Reserves

The level of charitable unrestricted funds at 31 March 2017 was £2,398,691 (2016: £1,843,402) (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 33 days (2016: 38 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 2016-17.

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 2016-17 accounts was £31,100 (2015-16: £30,750). This includes the NAO fee of £23,500 and Hillier Hopkins fee of £7,600 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
6 July 2017

Maggie Appleton MBE
Chief Executive Officer
Royal Air Force Museum
6 July 2017

Accountability report

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 are also mindful of 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 was recently updated, with the new version in place with effect from 1 April 2017.

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, Maggie Appleton MBE, 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 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 with the Chief Executive Officer and Senior Leadership Team (SLT) and are encouraged to familiarise themselves with the Museum's priorities through work in sub-committees where they are supported by the Museum's other Directors.

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 and Risk, Finance (incorporating responsibility for Investment), Centenary Development (established to lead and support the fundraising for and governance of the Centenary Programme and Centenary Legacy Programme) and Staffing and 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 2016-2017:

Board Member	Appointed	Further notes	Board Attendance	Sub-Committee attendance			Centenary Development
				Audit and Risk	Finance	Staffing and Remuneration	
Air Chief Marshal Sir Glenn Torpy GCB CBE DSO BSC (Eng) FRAeS FCGI	05-Jul-11	Chairman	4/4	-	-	-	1/4
Malcolm White OBE FRAeS	24-Sep-12	Co-opted and Chairman Development Committee	4/4	-	-	4/4	4/4
Sir Gerry Grimstone	09-Dec-08	Chairman Audit and Risk Committee	1/4	3/3	-	-	-
John Michaelson	09-Dec-08	-	2/4	-	-	-	-
Robin Southwell	09-Dec-08	-	4/4	-	-	-	4/4
Alan Spence	09-Dec-08	-	4/4	-	-	-	-
Michael Schindler	05-Jul-11	-	3/4	2/3	-	2/4	3/4
Andrew Reid	05-Jul-11	-	3/4	2/3	-	-	3/4
Richard Holman FCA	05-Jul-11	Chairman Finance Committee	4/4	-	4/4	-	4/4
Alan Coppin	08-Jul-13	Co-opted	4/4	-	-	-	2/4
Dr Carol Cole	23-Mar-15	Chair of Staffing and Remuneration Committee	4/4	2/3	-	4/4	-
Dr Rodney Eastwood	23-Mar-15	-	3/4	-	4/4	3/4	-
Laurie Benson	17-May-16	-	4/4	1/1	-	-	-
Catriona Kempson	17-May-16	-	3/4	-	-	-	1/2
Nick Sanders	17-May-16	-	3/4	-	-	-	-
Peter Bateson ACA	17-May-16	-	4/4	1/1	4/4	-	-
Julie McGarvey	17-May-16	-	3/4	-	-	-	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 and the Cosford Air Show. The Board has supported the organisation to achieve these. Specifically the Board has focused on the delivery of the Centenary project in the lead up to the RAF Centenary, with a key component of this being the MOD loan facility negotiated in order to enable the capital works to commence.

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 2016-17 or in the previous five 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 of 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 collections management, the volunteer programme, the Centenary programme, IT infrastructure, core financial controls, and cash handling. 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 work for 2016-17 noted that the Museum continues to develop and make changes. It has made efforts to rectify long-standing gaps in internal control, whilst being forward and outward looking, to revitalise its offer through the Centenary Programme. Much investment is required to put its operations on a sounder footing and we noted good progress towards this objective in the year, but more work needs to be done.

Overall their opinion is that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and / or effectiveness of governance, risk management and internal control.

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. Therefore 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 SLT and any changes reported to the Audit and Risk Committee annually. The SLT 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's five year strategic 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. Despite the MOD loan facility which has been put in place to enable the capital transformation works to commence in London, fundraising for the Centenary continues and remains a risk with the need to meet the loan repayments and to deliver the project.

The Museum's robust visitor numbers and visitor feedback in part address the risk of a 'loss of audience'. The RAF Centenary Programme 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 continue to manage the 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, tightening of procedures in response to the potential of a major incident or health and safety failure.

Assurance Statement by the Audit and 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 cash handling at large events, the need for volunteer vetting, and formalising accreditation policies, 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; and
- 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.

The Accounting Officer also confirms that, as far as she is aware, there is no relevant audit information of which the Museum's auditors are unaware, and that all steps have been taken to make herself aware of relevant audit information and to make this available to the Museum's auditors.

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
	2016-17 (2015-16)	2016-17 (2015-16)	2016-17 (2015-16)	2016-17 (2015-16)	2016-17 (2015-16)	2015-16
Maggie Appleton MBE CEO	100-105 (100-105)	- (-)	- (-)	- (-)	100-105	100-105
Karen Whitting Director of Public Programmes	70-75 (70-75)	- (-)	- (-)	- (-)	70-75	70-75
Philip Walsh CFO (left 8 May 2017)	75-80 (75-80)	- (-)	- (-)	- (-)	75-80	75-80

Pension benefits	Real increase in pension and lump sum at pension age	Accrued pension at pension age at 31/03/17 and related lump sum	CETV at 31/03/17	CETV at 31/03/16	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 (left 8 May 2017)	N/A	N/A	N/A	N/A	N/A	1,600

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 2016-17. 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 4.41 (2016: 4.82) - this represents the pay of the highest paid director as a multiple of the median pay award (the median salary is £22,842 (2016: £20,763)). 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 17 members at 31 March 2017, including two co-opted trustees, none of whom were full time employees of the institution and they were reimbursed with £1,591 in expenses (2016: £5,065). 4 Trustees claimed expenses (2016: 8).

Sickness absence

The Royal Air Force Museum employed 172 members of staff as at 31 March 2017. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 4.85 days per person (2016: 7). 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 2016-17 employers' contributions of £123,365 were payable (2015-16 £173,889) 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 30 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 Cash Equivalent Transfer Value (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 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	1(-)	5 (-)	6 (-)
£10,000–£25,000	- (-)	1 (-)	1 (-)
£25,000–£50,000	- (1)	- (1)	- (2)
£50,000–£75,000	- (-)	- (-)	- (-)
Total number of exit packages	1 (1)	6 (1)	7 (2)
Total resource cost/ £	- (43,775)	52,508 (23,630)	52,508 (67,405)

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.

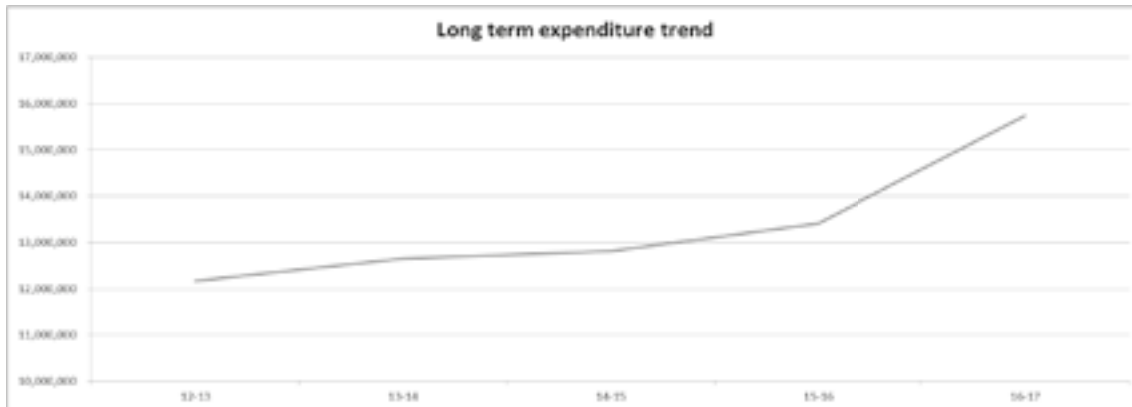
Other staff costs

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 to improve our visitor experience, such as First World War in the Air exhibition and the wider RAF Centenary Programme. These projects have been funded from self-generated income, donations and sponsorship.

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

Maggie Appleton MBE
Chief Executive Officer
Royal Air Force Museum
6 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 2017 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

14 July 2017

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

Consolidated Statement of Financial Activities for the year ended 31 March 2017

	Notes	Unrestricted Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £
Income from							
Donations and legacies							
Grant in Aid		8,792,544	-	8,792,544	8,561,120	-	8,561,120
Grants and donations	3	95,322	4,662,957	4,758,279	261,003	3,282,338	3,543,341
Charitable activities		74,274	-	74,274	70,510	-	70,510
Other trading activities							
Trading Income	4b	2,339,882	-	2,339,882	2,591,801	-	2,591,801
Fundraising events		122,035	-	122,035	115,801	-	115,801
Sponsorships		-	300,000	300,000	-	91,667	91,667
Share of RAF100 gain	4b	-	489,651	489,651	-	-	-
Investments		1,397	5,576	6,973	2,362	8,082	10,444
Other		327,377	96	327,473	335,030	3,756	338,786
Total income		11,752,831	5,458,280	17,211,111	11,937,627	3,385,843	15,323,470
Expenditure on							
Raising funds							
Fundraising	5	671,224	-	671,224	561,899	-	561,899
Trading	4b	2,219,750	-	2,219,750	2,234,027	-	2,234,027
Charitable activities							
Interpret the RAF story	5	8,519,161	1,511,210	10,030,371	6,419,782	1,315,141	7,734,923
Focus the collection	5	1,859,167	-	1,859,167	1,762,517	50,900	1,813,417
Invest in the Museum	5	1,062,351	-	1,062,351	1,056,167	-	1,056,167
Total expenditure		14,331,653	1,511,210	15,842,863	12,034,392	1,366,041	13,400,433
Net gains/(losses) on investments		-	26,241	26,241	-	(17,053)	(17,053)
Net income/(expenditure)		(2,578,822)	3,973,311	1,394,489	(96,765)	2,002,749	1,905,984
Transfers between funds		558,225	(558,225)	-	76,995	(76,995)	-
Other recognised gains and losses							
Gains/(losses) on revaluation of fixed assets		887,981	380,556	1,268,537	1,613,545	752,373	2,365,918
Net movement in funds		(1,132,616)	3,795,642	2,663,026	1,593,775	2,678,127	4,271,902
Reconciliation of funds							
Total funds brought forward at 1 April 2016		66,387,504	27,979,752	94,367,256	64,793,729	25,301,625	90,095,354
Total funds carried forward at 31 March 2017		65,254,888	31,775,394	97,030,282	66,387,504	27,979,752	94,367,256

Consolidated Balance Sheet for the year ended 31 March 2017

	Notes	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
Fixed assets					
Tangible assets (Excluding Heritage Assets)	7a	65,976,100	65,802,293	65,976,099	65,749,615
Heritage Assets	7b	21,155,865	21,202,115	21,155,865	21,202,115
Investments	4a	-	-	100,002	100,002
Investment in RAF100		514,651	-	514,651	-
Total fixed assets		87,646,616	87,004,408	87,746,617	87,051,732
Current assets					
Stocks	8	159,354	138,291	-	-
Debtors	9	4,292,055	1,379,602	4,767,433	1,766,157
Investments	10	2,068	406,734	2,068	406,734
Cash at bank and in hand	11	7,866,279	6,966,164	7,252,847	6,516,541
Total current accounts		12,319,756	8,890,791	12,022,348	8,689,432
Liabilities					
Creditors: Amounts falling due within one year	12	2,376,932	1,361,276	2,179,525	1,207,241
Net current assets		9,942,824	7,529,515	9,842,823	7,482,191
Creditors: Amounts falling due after more than one year	12	559,158	166,667	559,158	166,667
Net Assets/Liabilities		97,030,282	94,367,256	97,030,282	94,367,256
The funds of the charity					
Unrestricted funds	15	65,254,888	66,387,504	65,134,660	66,387,504
Restricted funds		31,775,394	27,979,752	31,895,622	27,979,752
		97,030,282	94,367,256	97,030,282	94,367,256

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

Approved by the Board of Trustees on 6 July 2017 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 2017

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

	Total Funds	Total Funds
	2017	2016
	£	£
Net Incoming Resources	1,394,489	1,905,984
Interest receivable	(6,833)	(10,348)
Interest payable	0	2,107
Dividends received	(44)	(96)
Depreciation of tangible assets	2,244,934	2,256,137
(Profit)/loss on disposal of assets	2,369,139	70,900
Disposal of investment	430,907	-
(Gain)/loss on investment	(515,892)	17,053
(Increase)/decrease in stocks	(21,063)	30,076
(Increase)/decrease in debtors	(2,912,453)	(873,524)
(Decrease)/increase in creditors	1,408,147	478,746
Net cash flow from operating activities	<u>4,391,331</u>	<u>3,877,035</u>
Cash flows from investing activities		
Bank interest received	6,833	10,348
Finance charges paid	0	(2,107)
Dividends received	44	96
Purchase of tangible fixed assets	(3,473,143)	(753,347)
Proceeds from disposal of tangible fixed assets	50	500
Purchase of Joint Venture Capital	(25,000)	(3,558)
Net cash used in investing activities	(3,491,216)	(748,068)
Change in cash and cash equivalents	900,115	3,128,967
Cash and cash equivalents at 1 April 2016	6,966,164	3,837,197
Cash and cash equivalents at 31 March 2017	<u>7,866,279</u>	<u>6,966,164</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 2017

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 consolidations

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 31 March, 2017.

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

Grant in Aid is recognised in the year to which it relates. 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. Gains and losses on investments are recognised in the period in which they arise.

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.

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. Any gains or losses on revaluation are reported as unrealised until an asset is disposed. On 1 April 2016 the Museum took ownership of assets held by Royal Air Force Museum Enterprises Ltd. The Museum levies a charge on RAFMEL for the use of these assets. 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.

Investments in joint ventures are accounted for using the equity method, with the carrying amount measured as the Museum's initial investment plus its share of the joint venture's profit or loss.

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 2017 was £nil (2016: £209).

3 Grants and donations

	Un-restricted Fund 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Exhibits Donated	-	24,750	24,750	7,500
Heritage Lottery Grant for First World War Exhibition	-	80,920	80,920	218,793
Heritage Lottery Grant for Centenary Programme	-	449,844	449,844	45,952
Libor for Centenary Programme	-	3,000,000	3,000,000	2,500,000
Other Donations for Centenary Project	-	1,051,644	1,051,644	341,837
Cosford Air Show Donation	-	25,016	25,016	50,192
Donation towards VC-10	-	-	-	40,286
Other	95,322	30,783	126,105	338,781
	95,322	4,662,957	4,758,279	3,543,341

4a Investment in subsidiary undertakings and joint ventures

Of the investment of £100,002 (2016: £100,002), £100,000 represents the charity's interest in 100% of the issued share capital of Royal Air Force Museum Enterprises Limited (company number 1511481) which is incorporated in England and Wales and operates souvenir shops and other trading activities

	2017 £	2016 £
The assets and liabilities of the subsidiary were:		
Fixed assets	-	52,678
Current assets	882,664	840,789
Creditors: amounts falling due within one year	(782,664)	(793,467)
	100,000	100,000
	2017 £	2016 £
At 1 April 2016	100,000	26,498
Profit/(Loss) retained in subsidiary	-	73,502
At 31 March 2017	100,000	100,000

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 (company number 4026995), 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.

During the year the Museum invested £25,000 in a Joint Venture, RAF 100 (charity number 1167398, company number 9977273), as one of five investor organisations. RAF 100 is a charitable company designed to consolidate the fundraising ask from the general public during the RAF's centenary year. RAF 100 is accounted for using the equity method, with the value of the Museum's stake being measured as its initial investment plus our equal share of RAF 100's net gain or loss for the period.

4b Income from subsidiaries and joint ventures

RAF100	Total		RAF Museum share	
	2017	2016	2017	2016
	£	£	£	£
Income				
Donations	2,434,500	–	486,900	–
Other	54,167	–	10,833	–
Total	<u>2,488,667</u>	–	<u>497,733</u>	–
Expenditure				
Raising funds	40,413	–	8,082	–
Total	<u>40,413</u>	–	<u>8,082</u>	–
Net income/ (expenditure)	<u>2,448,254</u>		<u>489,651</u>	–

As at 31 March 2017, the Museums share of the RAF100's assets was £510,135 and liabilities of £465, with a combined share of net assets of £509,615. There were no outstanding commitments relating to the joint venture, and the joint venture had not entered into any capital commitments as at 31 March 2017.

Royal Air Force Museum Enterprises Limited

	2017	2016
	£	£
Turnover	2,339,882	2,591,801
Cost of sales, administrative expenses and taxation	(2,219,750)	(2,234,027)
	<u>120,132</u>	<u>357,774</u>
Interest receivable	96	190
Net Profit/(Loss)	<u>120,228</u>	<u>357,964</u>
Repayment of historic excess gift aid from the RAF Museum	–	73,502
Gift Aid to RAF Museum	(120,228)	(357,964)
Surplus (Deficit) in subsidiary	<u>–</u>	<u>73,502</u>

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.

	Directly attributable costs	Support costs	Depreciation	Total 2017	Total 2016
	£	£	£	£	£
Fundraising	596,850	72,574	1,800	671,224	561,899
Trading	2,219,750	-	-	2,219,750	2,234,027
				-	-
Interpret the RAF story	7,191,606	1,131,963	1,706,802	10,030,371	7,734,923
Focus the collection	1,142,253	201,752	515,162	1,859,167	1,813,417
Invest in the museum	959,215	103,136	-	1,062,351	1,056,167
Total	12,109,674	1,509,425	2,223,764	15,842,863	13,400,433

Allocation of support costs	Raising funds	Trading	Interpreting the RAF story	Focusing the collection	Investing in the museum	Total 2017	Total 2016	Allocation method
	£	£	£	£	£	£	£	
Finance	7,945	-	95,737	15,206	12,771	131,659	157,291	Expenditure
IT	5,446	-	159,965	29,270	-	194,681	128,208	Number of staff
HR	2,834	-	83,259	15,235	-	101,328	65,995	Number of staff
Estates	120	-	115,490	34,431	-	150,041	116,775	Floor space
Admin	29,107	-	350,713	55,704	46,777	482,301	363,244	Expenditure
Governance	27,122	-	326,799	51,906	43,588	449,415	374,030	Expenditure
	72,574	-	1,131,963	201,752	103,136	1,509,425	1,205,543	

The National Audit Office audit fee of £23,500 (2016: £23,500) is included within governance costs.

6 Staff costs and numbers

	Total Funds 2017	Total Funds 2016
	£	£
Salaries and wages	4,145,404	4,236,635
Temporary agency staff	50,493	1,015
Social security costs	440,397	400,115
Pension costs	188,409	234,785
	4,824,703	4,872,550

The above costs exclude the trading subsidiary.

The average number of employees in the Museum during the year was 172 (2016: 176). FTE equivalent was 164 (2016: 168).

Employees whose emoluments amounted to over £60,000.

Employees whose emoluments amounted to over £60,000

	2017	2016
60,000 - 70,000	1	1
70,001 - 80,000	2	2
100,001 - 110,000	1	1

7a Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings and Equipment	Plant, Machinery and Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2016	53,192,864	13,227,874	4,891,128	593,091	361,644	21,202,115	93,468,716
Additions	63,412	29,896	100,361	20,723	3,234,001	24,750	3,473,143
Transfers	-	613,185	7,820	-	(621,005)	-	-
Disposals	(2,470,335)	-	(971,840)	(93,513)	-	(71,000)	(3,606,688)
Revaluations	1,001,803	291,001	23,376	1,950	-	-	1,318,130
At 31 March 2017	<u>51,787,744</u>	<u>14,161,956</u>	<u>4,050,845</u>	<u>522,251</u>	<u>2,974,640</u>	<u>21,155,865</u>	<u>94,653,301</u>
Depreciation							
At 1 April 2016	1,285,477	621,824	4,033,815	523,192	-	-	6,464,308
Charged in the year	1,273,806	643,178	295,742	32,208	-	-	2,244,934
Disposals	(194,386)	-	(954,141)	(88,972)	-	-	(1,237,499)
Revaluations	25,491	13,679	9,294	1,129	-	-	49,593
At 31 March 2017	<u>2,390,388</u>	<u>1,278,681</u>	<u>3,384,710</u>	<u>467,557</u>	<u>-</u>	<u>-</u>	<u>7,521,336</u>
Net Book values							
At 31 March 2017	<u>49,397,356</u>	<u>12,883,275</u>	<u>666,135</u>	<u>54,694</u>	<u>2,974,640</u>	<u>21,155,865</u>	<u>87,131,965</u>
At 1 April 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>

Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings and Equipment	Plant, Machinery and Vehicles	Assets Under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2016	53,192,864	13,227,874	4,211,127	337,555	353,824	21,202,115	92,525,359
Additions	63,412	29,896	100,361	20,723	3,234,001	24,750	3,473,143
Transfers from AUC	-	613,185	-	-	(613,185)	-	-
Transfers from Trading Co	-	-	687,822	255,537	-	-	943,359
Disposals	(2,470,335)	-	(971,840)	(93,513)	-	(71,000)	(3,606,688)
Revaluations	1,001,803	291,001	23,376	1,950	-	-	1,318,130
At 31 March 2017	<u>51,787,744</u>	<u>14,161,956</u>	<u>4,050,846</u>	<u>522,252</u>	<u>2,974,640</u>	<u>21,155,865</u>	<u>94,653,303</u>
Depreciation							
At 1 April 2016	1,285,477	621,824	3,380,822	285,506	-	-	5,573,629
Transfers from Trading Co	-	-	652,993	237,688	-	-	890,681
Charged in the year	1,273,807	643,179	295,741	32,208	-	-	2,244,935
Disposals	(194,386)	-	(954,141)	(88,972)	-	-	(1,237,499)
Revaluations	25,491	13,679	9,294	1,129	-	-	49,593
At 31 March 2017	<u>2,390,389</u>	<u>1,278,682</u>	<u>3,384,709</u>	<u>467,559</u>	<u>-</u>	<u>-</u>	<u>7,521,339</u>
Net book values							
At 31 March 2017	<u>49,397,355</u>	<u>12,883,274</u>	<u>666,137</u>	<u>54,693</u>	<u>2,974,640</u>	<u>21,155,865</u>	<u>87,131,964</u>
At 1 April 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>

On 1 April 2016, ownership of fixed assets held in Royal Air Force Museum Enterprises Limited transferred to the Museum. The Museum charges RAFMEL a fee for the use of these 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 2017 the book value comprised :

	2017	2016
	£	£
Heritage Assets recorded at cost	2,504,858	2,504,858
Heritage Assets recorded at valuation	18,651,007	18,697,257
Total book value of heritage assets	<u>21,155,865</u>	<u>21,202,115</u>

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

Year ended	31.03.2013	31.03.2014	31.03.2015	31.03.2016	31.03.2017
	£	£	£	£	£
Book value brought forward	18,883,444	20,152,140	21,005,430	21,061,639	21,202,115
Add acquisitions	-	-	-	-	-
Purchased At cost	58,095	816,490	15,959	205,376	-
Donated At valuation	1,330,601	236,800	40,250	7,500	24,750
Total acquisitions	1,388,696	1,053,290	56,209	212,876	24,750
Revaluations	-	-	-	-	-
Disposals	(120,000)	(200,000)	-	(72,400)	(71,000)
Book value carried forward	<u>20,152,140</u>	<u>21,005,430</u>	<u>21,061,639</u>	<u>21,202,115</u>	<u>21,155,865</u>

8 Stocks

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Goods for resale	159,354	138,291	-	-

9 Debtors

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	58,714	194,830	22,381	32,929
Amounts due from subsidiary undertaking	-	-	465,027	457,963
Other debtors	546,949	155,344	530,732	155,344
Prepayments and accrued income	3,686,392	1,029,428	3,629,065	1,011,957
Gift Aid donation from the subsidiary	-	-	120,228	107,964
	<u>4,292,055</u>	<u>1,379,602</u>	<u>4,767,433</u>	<u>1,766,157</u>

10 Investments – group and charity

	2017	2016
	£	£
Quoted investments:		
Market value on 1 April 2016	406,734	420,229
Additions	-	3,558
Disposals	(430,907)	-
Realised gain on disposal	25,884	-
Net unrealised investment (losses)/gains	357	(17,053)
Market value at 31 March 2017	2,068	406,734
Historical cost at 31 March 2017	2,117	370,868

11 Cash at bank and in hand

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Commercial bank accounts	7,858,215	6,953,347	7,247,477	6,510,558
Cash in hand	8,064	12,817	5,370	5,983
	7,866,279	6,966,164	7,252,847	6,516,541

12 Creditors

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year				
Loans and overdrafts	109,175	-	109,175	73,504
Trade creditors	641,757	668,900	550,747	548,089
Taxation and social security	116,372	114,552	102,361	88,580
Other creditors	9,603	18,106	9,261	17,897
Accruals and deferred income	1,500,025	559,718	1,407,981	479,171
	2,376,932	1,361,276	2,179,525	1,207,241
Amounts falling after more than one year				
Accruals and deferred income	108,333	166,667	108,333	166,667
Loans and overdrafts	450,825	-	450,825	-
	559,158	166,667	559,158	166,667

During the year, the Museum entered into an arrangement with the Ministry of Defence whereby a loan facility totalling £5.6 million was approved for use to support the Centenary Programme construction work. As at 31 March 2017, £560,000 of the facility had been utilised. The loan is repayable over 5 years at the Public Works Loan Board interest rate on the day the facility is used.

13 Reconciliation of net cash flow to movement in net funds

	2017	2016
	£	£
(Decrease)/increase in cash in period	900,071	3,128,967
Cash inflow from investment dividends	44	3,558
Change in net funds resulting from cash flow	900,115	3,132,525
Disposal of liquid resources	(430,907)	
Change in market value of liquid resources (realised profit)	25,884	
Change in market value of liquid resources (unrealised profit)	357	(17,053)
	(404,666)	(17,053)
Net funds at 1 April 2016	7,372,898	4,257,426
Net funds at 31 March 2017	7,868,347	7,372,898

14 Analysis of group net funds

	1 April 2016	Cash flow	Other changes	31 March 2017
	£	£	£	£
Cash at bank and in hand (See note 11)	6,966,164	900,115	-	7,866,279
Current asset investments	406,734	(430,907)	26,241	2,068
	<u>7,372,898</u>	<u>469,208</u>	<u>26,241</u>	<u>7,868,347</u>

15 Statement of group funds

	Unrestricted Funds	Restricted Funds	Total Funds	Total Funds
	2017	2017	2017	2016
	£	£	£	£
Analysis of group net assets between funds				
Tangible fixed assets	62,296,943	24,835,022	87,131,965	87,004,408
Investments in joint ventures	-	514,651	514,651	
Cash at bank and in hand	2,962,859	4,903,420	7,866,279	6,966,164
Other net current assets	(4,914)	2,081,459	2,076,545	563,351
Net non current assets	-	(559,158)	(559,158)	(166,667)
Total assets less current liabilities	65,254,888	31,775,394	97,030,282	94,367,256
Net assets	65,254,888	31,775,394	97,030,282	94,367,256

Analysis of funds	2016	Income Expenditure Revaluation			Transfers	2017
	£	£	£	£	£	£
Restricted funds						
Fixed assets	17,133,108	-	(817,659)	-	2,645,566	18,961,015
Revaluation reserve	5,493,451	-	-	380,556	-	5,874,007
Cosford sprinklers	580,930	-	-	-	(549,399)	31,531
MoD maintenance	24,902	-	-	-	(24,902)	-
Watchtower Funds	351,643	-	(63,173)	26,241	-	314,711
World War I Exhibition	232	80,920	(81,152)	-	-	-
Centenary Project	4,077,587	4,807,064	(542,267)	-	(2,515,600)	5,826,784
Air Show Funds	126,948	25,016	-	-	-	151,964
Cosford LMA Funds	53,226	10,347	-	-	-	63,573
Bomber Command Hall Refurbishment Fund	95,491	-	-	-	(95,491)	-
Cosford wifi	-	10,000	-	-	(8,924)	1,076
RAF 100	-	489,651	-	-	25,000	514,651
Other Projects	42,234	35,282	(6,958)	-	(34,475)	36,083
Total Restricted Funds	<u>27,979,752</u>	<u>5,458,280</u>	<u>(1,511,210)</u>	<u>406,797</u>	<u>(558,225)</u>	<u>31,775,394</u>
Unrestricted funds						
Fixed assets	42,167,033	-	(3,796,464)	-	827,577	39,198,146
Revaluation reserve	22,210,816	-	-	887,981	-	23,098,797
General	1,843,402	11,752,831	(10,535,190)	-	(662,352)	2,398,691
Designated funds						
Bomber Command Hall	9,478	-	-	-	(9,478)	-
Centenary Project	-	-	-	-	559,253	559,253
Purchase grant	156,775	-	-	-	(156,775)	-
Total Unrestricted Funds	<u>66,387,504</u>	<u>11,752,831</u>	<u>(14,331,654)</u>	<u>887,981</u>	<u>558,225</u>	<u>65,254,888</u>
Total Funds	<u>94,367,256</u>	<u>17,211,111</u>	<u>(15,842,863)</u>	<u>1,294,778</u>	<u>-</u>	<u>97,030,282</u>

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

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

Watchtower - funds to cover the running costs of the Grahame White Factory

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

Centenary Programme - grants and donations towards the redevelopment of the Hendon site leading up to the RAF Centenary

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

Cosford wifi - grant to install wifi at the Cosford site

RAF100 - represents the Museum's investment in the RAF 100 joint venture

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 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. In year £166,000 was re-designated from the Purchase grant and Bomber Command Hall funds to the Centenary Programme fund. In addition, £393,000 of self generated income was designated to the Centenary Programme fund.

Transfers

Generally, transfers between funds represent the capitalisation of fixed assets. Trustees also transferred £105,000 from funds restricted to use at the London site to the Centenary Programme fund.

16 Commitments

	Group and charity	
	2017	2016
	£	£
Operating leases expiring:		
Plant and machinery:		
within one year	48,248	45,989
in the second to fifth years	86,170	98,385
Land and Buildings:		
within one year	530,150	530,150
in the second to fifth years	2,120,600	2,120,600
after five years	6,607,550	7,137,700
	<u>9,392,718</u>	<u>9,932,824</u>

On adoption of FRS102, the RAFM is required to disclose its total future minimum lease payments under non-cancellable operating leases, the prior period balances have been restated to reflect this requirement in the 2016-17 accounts.

The Museum paid £578,907 under operating lease arrangements in the year to 31 March, 2017 (2016: £598,545)

Capital Commitments

As at 31 March 2017, the Museum had capital contracts in place totalling £10,239,818 (2016 £nil).

All contracts related to the Centenary Programme.

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.

RAF 100

The Royal Air Force Museum is a 20% partner in the RAF 100 joint venture. Maggie Appleton (Chief Executive Officer) is also a Director of RAF 100. During the year, the Museum made an initial £25,000 investment in RAF 100.

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 and Risk Committee) is also the Ministry of Defence Lead Non-Executive Director.

18 Contingent Liabilities

There were no contingent liabilities as at 31 March 2017 (2016: 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 Statement of Financial Activities

Notes	Unrestricted Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £
Income from						
Donations and legacies						
Grant in Aid	8,792,544	-	8,792,544	8,561,120	-	8,561,120
Grants and donations	95,322	4,783,185	4,878,507	545,465	3,282,338	3,827,803
Charitable activities	74,274	-	74,274	70,510	-	70,510
Other trading activities						
Fundraising events	122,035	-	122,035	115,801	-	115,801
Sponsorships	-	300,000	300,000	-	91,667	91,667
Share of RAF 100 gain		489,651	489,651	-	-	-
Investments	1,301	5,576	6,877	2,172	8,082	10,254
Other	743,278	96	743,374	754,204	3,756	757,960
Total income	9,828,754	5,578,508	15,407,262	10,049,272	3,385,843	13,435,115
Expenditure on						
Raising funds						
Fundraising	682,236	-	682,236	571,739	-	571,739
Charitable activities						
Interpret the RAF story	8,868,205	1,511,210	10,379,415	6,771,389	1,315,141	8,086,530
Focus the collection	1,899,353		1,899,353	1,802,670	50,900	1,853,570
Invest in the Museum	1,078,010	-	1,078,010	1,073,741	-	1,073,741
Total expenditure	12,527,804	1,511,210	14,039,014	10,219,539	1,366,041	11,585,580
Net gains/(losses) on investments	-	26,241	26,241	-	(17,053)	(17,053)
Net income/(expenditure)	(2,699,050)	4,093,539	1,394,489	(170,267)	2,002,749	1,832,482
Transfers between funds	558,225	(558,225)	-	76,995	(76,995)	-
Other recognised gains and losses						
Gains/(losses) on revaluation of fixed assets	887,981	380,556	1,268,537	1,613,545	752,373	2,365,918
Net movement in funds	(1,252,844)	3,915,870	2,663,026	1,520,273	2,678,127	4,198,400
Reconciliation of funds						
Total funds brought forward at 1 April 2016	66,387,504	27,979,752	94,367,256	64,867,231	25,301,625	90,168,856
Total funds carried forward at 31 March 2017	65,134,660	31,895,622	97,030,282	66,387,504	27,979,752	94,367,256

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