

**NATIONAL  
ARMY  
MUSEUM**



**NATIONAL ARMY MUSEUM  
REGISTERED CHARITY NUMBER 237902  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR YEAR ENDING 31ST MARCH 2016**



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**CONSOLIDATED FINANCIAL STATEMENTS**

**31<sup>st</sup> March 2016**

Presented to Parliament pursuant to Section 44 of the Charities Act 1993

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**NATIONAL ARMY MUSEUM  
TRUSTEES REPORT AND REPORT OF COUNCIL  
YEAR ENDED 31 MARCH 2016**

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**REFERENCE AND ADMINISTRATIVE INFORMATION**

**Introduction**

The accounts of the National Army Museum (NAM) are presented for the financial year ended 31 March 2016. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

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

**Address and principal office of the Museum**

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Bankers

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Solicitors

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**PERFORMANCE REPORT**

**OVERVIEW**

**Background Information**

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

**Social Investment and Public Benefit**

The Council of the Museum recognises its responsibilities with regard to social investment and public benefit. The Museum pays due regard to the Charity Commission guidance in particular PB1, PB2 and PB3. The following sections of these accounts show that commitment to the investment and how the Charity Commission guidance has been complied with.

**Overall Objectives and Activities**

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

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

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

Vision:

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

Mission:

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

Core Values:

Relevance, Insight, Quality, Enjoyment, Access, Learning.

The Plan includes five Key Strategic Objectives:

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



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

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

A review of the Plan in March 2016 showed that the vast majority of the over arching and detailed Plan objectives had been met, although those concerning the Chelsea site will not be confirmed until the building re-opens in early 2017.

The Plan has been extended to over the period 2016-17, pending the development of a new Strategic Plan for the redeveloped museum.

### **Objectives, Achievements and Performance for the Year**

#### Chelsea Redevelopment

With the on-going Chelsea redevelopment the overriding objective for the year was to achieve full funding for the project and to continue to progress the redevelopment to enable the Museum to reopen by early 2017.

Project funding is on target and to ensure that the redeveloped Museum offers the experience that was originally envisaged, the project budget has been revised to £23,750,000. This revision allows the Museum to reinstate items that were previously cut out to maintain the original budget.

The project has progressed from RIBA Stage F and is currently at RIBA Stages J and K (mobilisation and construction) with the main contractors appointed and the majority of the specialist trade packages either let or in tender and is currently running 17 weeks behind programme.

For safety reasons and to allow the demolition and reconfiguration of large areas of the Chelsea site to take place, the entire staff and entire collection were moved from the Chelsea site in August 2014. However in September 2015, the staff moved back into the Chelsea site to both reduce costs and be readily available to designers and contractors during the redevelopment. Collections Care, Photographic and some Learning staff remained in Stevenage.

Accompanying this work, Phase 7 testing has taken place in line with three core areas of development: text development (strand C), graphic development (strand D) and audio-visual development (strand E). Prototyping and testing commenced in early 2016 with the creation of mock-ups of gallery graphic displays. Access Panels were set up to support the identification of accessible interpretative resource needs.

In parallel with the production design of the galleries, work also commenced to create the Museum's new Early Years Learning Facility and to finalise layout and interior design for public areas.

#### Other Objectives

The Council of the National Army Museum continues to believe that the most important objective for the Museum is to provide the widest possible access to its Collection and to the professional expertise of its staff. This is achieved in a variety of ways. While the Museum site at Chelsea has been redeveloped the Museum has delivered over 60 projects at 30 locations across the country and striven, where possible, to continue to deliver existing services.

With the closure of the Museum these objectives have been heavily focussed on extending the Museum's Outreach Services with the holding of various events and activities throughout the country and extending the assistance given to other museums and institutions.

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The Museum continues to provide learning opportunities for all with these being delivered nationally.

Efforts continued to focus on maintaining and extending the Museum's World-Class collections with a number of major acquisitions.

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

Key Risks and Reserves

The operational budget for the NAM for 2016-17 is £7.0m of which approximately £6.0m is received annually via Grant-in-Aid ("GiA") from its Sponsor Department – MoD.

NAM is currently undergoing a major redevelopment project. This redevelopment project is budgeted at £23.75m and is scheduled for completion at the end of 2016. The project is supported by the Heritage Lottery Fund and as at 31 March 2016 the funding is on target.

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

Nevertheless, NAM remains largely funded from GiA from the MoD. The largest funding risk to the Museum therefore remains the sudden withdrawal of GiA at a level, which would necessitate downsizing of programmes and staff. Reserves would be needed to cover committed costs and/or redundancy costs.

Secondly, a lower-likelihood but catastrophic risk would materialise if for any reason, the MoD chose to withdraw all GiA funding. In the absence of alternative funding this could force the closure of the Museum within a three-month period. The cost of closure, including external contracts, local authority rates, utilities, staff salaries (including redundancy costs for those staff not paid via MoD) has been calculated for a three month period at circa £550,000. This is based on the assumption that those staff on analogous terms to Civil Service pay and conditions and currently paid through MoD, would continue to be funded through to closure by the Sponsor Department, this would include the liability for any redundancy costs.

As a result NAM has developed a Reserves Policy in accordance with guidance from the Charity Commission detailed in its publication "Charity Reserves: building resilience" and to meet the requirements of SORP 2015 (FRS 102).

*Current Position*

*Restricted Reserves*

NAM currently holds a Restricted Reserve, excluding land and buildings and heritage assets, of £5.0m. Of this, £4.2m is made up of monies which will be disbursed for the Museum redevelopment by April 2017. NAM has other Restricted Reserves of £791,000 to support specific elements of acquisition, care or display of collections or specific projects supporting educational, research or outreach activity.

*Unrestricted Reserves*

The current cash and cash equivalent value of Unrestricted Reserves stand at £2.1m, made up of self generated income. At present none of NAM's unrestricted reserves are committed to the redevelopment project or any other area.

*Level of Reserves*

The Council of the Museum has approved that the minimum level of Unrestricted Reserves be set at £550,000.

On completion of the Building for the Future project NAM will re-focus its fundraising efforts on raising funds to

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support specific initiatives such as exhibitions and on building up its unrestricted reserves, which can be drawn upon for support so as to maintain a minimum level of Unrestricted Reserves.

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

*Oversight*

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

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

**Assessment of Going Concern**

The National Army Museum is a going concern for the foreseeable future. This is evidenced by the support historically received and which it continues to receive from the Sponsor Department. The grant of £5m in 2014-15 and a further grant of £500,000 in 2015-16 to the Museum for the redevelopment project and the notification of an increase in GiA for FY 2016-17 further evidences the Sponsor's confidence in the Museum.

Additionally, the Museum is currently receiving 49% support from the Heritage Lottery Fund as part of its £23.75m redevelopment project. The balance of the funding will be achieved from donations/grant and legacies from trusts and individuals. Currently the funding for the redevelopment is on target but while still under construction should unforeseen costs increase the overall cost, the Museum has a contingency to cover any gap in funding should it materialise.

The Museum, as part of the redevelopment and a requirement of HLF funding produced a 10 year Business and Sustainability Plan which details the on-going viability of the Museum. Contained within the plan are the projections for commercial income via the Museum's trading arm (National Army Museum Trading Limited). This is currently under review prior to re-opening.

**PERFORMANCE ANALYSIS**

**Development Fundraising**

The Museum has continued to focus on funding the redevelopment project.

New project funding for the year totalled £2,058,000 which included £1,000,000 from the Libor Fund, a grant from the Ministry of Defence ("MOD") of £500,000, £337,500 from WREN (the not for profit arm of FCC Environment) and £125,000 from The Foyle Foundation.

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

The Patrons scheme was expanded to 33 members and fundraising lunches were held throughout the year.

In addition to the above redevelopment fundraising, the Museum also received £45,000 from the Heritage Lottery Fund and £50,000 from the Art Fund towards the purchase of the Niagara watercolour and £33,000 from the John Ellerman Foundation towards the cost of a project officer to support the United Kingdom's regional network of regimental and corps museums.

**Access and Audience Development**

The Templer Study Centre service ran out of Stevenage and in partnership with the London Metropolitan Archives. We hosted 69 visits to Stevenage and 119 to the London Metropolitan Archives.

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The Museum's enquiries service was also maintained and answered 3,508 enquiries from members of the public. A review of the enquiries service was also undertaken in order to develop it for the future.

The Museum's Thursday lunchtime lectures ran out of the Army and Navy Club attracting 1,467 people to 26 lunchtime lectures; Thursday evening celebrity lectures were also held there.

*Events and Activities*

*World War One*

The Museum worked in partnership with UKPHA, DCMS, Foreign Office, Curzon Institute and developed links with the Australian, Canadian and New Zealand High Commissions to create a WW1 Commonwealth and Empire pop-up exhibition which toured public libraries across RBKC, Hammersmith and Fulham, Wandsworth, Southwark, Lambeth and Hounslow Boroughs.

The exhibition *Your Country Calls: Enlistment to Embarkation* in partnership with Step Short and Folkestone Town Council ran until 8 May 2015, while the family event 'Bound for Blighty' attracted over 200 visitors.

*Crown and Country: Colonial and Commonwealth Soldiers*

Workshops and lectures have been held with West Indian Community groups, including the West Indian Ex-Servicemen's Association. This included a project where participants recreated their own version of the colours (flags) of the West India Regiment, based on the originals held in the Museum collection, as well as assistance with research from the Museum at The National Archives (TNA). A pop-up exhibition was created which has toured major community festivals, as well as the dedication of the Muslim Burial Ground and Peace Garden in Woking, and Aldershot Garrison.

Pop-up exhibitions have toured local libraries in London, including Paddington, Balham and Fulham.

*War & Sikhs - Collection Re-interpretation*

Workshops have been completed, and also resulted in the loan of the Sikh Bomber statuette to Reading Museums in connection with the 100th Anniversary of the Gallipoli campaign. Content from these workshops has been fed into the project's completion exhibition.

*War & Sikhs - Art Project*

The exhibition has been written for touring at City Hall, the Wallace Collection and local libraries.

*Old & Bold (Chelsea Pensioners)*

Oral histories were completed for over 20 Chelsea Pensioners, some of which will be included in the new galleries. Collaboration on a tour for Chelsea Pensioners to the Somme battlefields was also planned for July 2016.

*Soldiers Art*

The Piece Makers exhibition, developed in cooperation between rehabilitation and support centres and the artist Susan Stockwell, toured the following venues:

- The Royal Fusiliers Museum, Bury, 14 January to 28 June 2015
- The King's Own Scottish Borderers Museum, Berwick-upon-Tweed, 6 July to 26 September 2015
- The Cameronians (Scottish Rifles), Hamilton, October to December 2015
- Essex Regiment, Chelmsford, January to March 2016

*Waterloo Programme*

The Museum delivered 'Waterloo Lives', six exhibitions featuring objects from NAM's Waterloo collection at six Regimental and Corps Museum partner sites.

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Further 'Waterloo Lives' displays and campaign activities visited Liverpool, Birkenhead, Edinburgh and Sheffield with the aim of popularizing this lesser known but pivotal battle in Europe's history:

The 'Waterloo Lives Pop-Up Pub' was an experiential exhibition that toured London, Halifax, Taunton, Liverpool and Norwich, taking people back to 1815. Aptly named The Duke of Wellington, the touring pub marked the 200-year anniversary of the Battle of Waterloo, to educate and entertain families and budding historians around the country.

*Waterloo Lives: Pop-up Poses*

To depict the lives of returning soldiers, the National Army Museum commissioned a colossal piece of street art in Shoreditch, capturing the attention of those visiting, living and working in the City and East London area. The composition depicted 200 years of the returning soldier from Waterloo through to modern day wars. Sightseers were encouraged to use the Waterloo Lives.

*Pop-up Puzzler*

NAM recognised that fewer people knew about the Battle of Waterloo compared to more recent military events; *Waterloo Lives* was designed to change this. To challenge the nation's knowledge of Waterloo, NAM held a nationwide pub quiz, where enthusiasts 'battled it out' to be named the pub quiz champions on Waterloo history

*Waterloo Lives: Pop-up Picture*

NAM hosted an immersive screening of the 1970 classic *Waterloo*, starring Christopher Plummer with Orson Wells. Held in the vaults beneath Waterloo station, the Pop-up Picture transported visitors back to 1815 through costumed characters, re-enactments of the battle and the serving of early 19<sup>th</sup> Century food and drink. Tickets for the free screening were available via a public ballot.

**Education that Informs, Entertains and Inspires**

The provision of learning opportunities for all is at the heart of the Museum's mission. Despite the Museum being closed the Learning Team delivered an ambitious outreach programme reaching 2,374 children and over 1,200 adult learners.

Learning opportunities were delivered locally in London, nationwide in collaboration with Regimental & Corps Museums and at various Army bases. The Learning Team also launched its suite of World War One digital learning resources and its associated videos were viewed over 39,000 times.

*Exploring Military Chelsea*

Following consultation with Social Care staff from RBKC, the Museum developed *Exploring Military Chelsea*, a project delivered to the local community focused at growing the Museum's Learning Family and Kids First Family audience segments throughout 2015 and 2016.

NAM worked with the Bureau of Silly Ideas to produce *Peas Corps*, an epistemic play experience that engaged well over 600 young (and not so young) learners at 10 parks and play centres around the borough in August 2015. Since the autumn NAM has run its *Little Soldiers* programme in tri-borough nurseries and libraries to a total of over 100 Early Years learners. Just as importantly, these activities have strengthened the Museum relationship with the borough children's centre and play service, and broken down perceptual barriers for both service providers and audiences.

*Westminster Archives*

NAM partnered with Westminster Archives to deliver outreach art workshops centred on the ANZAC contribution to the First World War themed around the Museum's Charles Jagger collection in April and Remembrance workshops in October to 512 students at 15 local primary schools.

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*Wandsworth*

NAM supported two Department for Education events with local school audiences as part of Black History Month and on Armistice Day.

*HMDT*

NAM partnered with Hackney Music Development Trust (HMDT) in another successful year of *Trench Brothers* outreach to 39 classes (over 700 students) in 13 schools in the London area.

*The Coatee to Couture* project continued to engage with textile students at Hertfordshire University, West London College, Derby University and City and Islington College.

In the summer of 2015 NAM began work to design and deliver an extensive suite of online learning resources, including three videos, six work units and access to over 1,000 new assets to support History and Citizenship teaching, for stand-alone classroom use, and ultimately to support self-directed visits and facilitated workshops at NAM Chelsea.

A review of the Science, Technology, Engineering and Mathematics (STEM) curriculum, consulting with SMEs and teacher focus groups, was held to scope and define the product for briefing and procurement in 2016.

During 2015-16 NAM took on the role of evaluating on-going apprenticeships to identify and trial new skills-based learning opportunities for young people at NAM Stevenage.

The Museum continued to support Army Engagement and Army Education and Training in the delivery of the various strands of the Army's Op REFLECT at events in Andover; as part of the Military Festival in Aldershot, in the latter case delivering activities to almost 200 students from five local Primary schools; at the annual Op REFLECT study period in March 2016; at Armed Forces Day in Guildford during summer 2015; at Saragarthi Day in September 2015 and at the Armed Forces Hindu network to celebrate Rakhi Day.

The focus of the Regimental Museum learning programme switched from *Outbreak 1914* to *Waterloo Lives*, and NAM delivered a week of schools programmes and family activities in five of the six Regimental Museums who partnered with NAM to host the *Waterloo Lives* outreach exhibition. Most of the delivery phase of this activity took place in May and June 2015 in line with the bicentenary of the battle on 18 June.

NAM delivered schools programmes, volunteer training and family activities at the National Gallery in London, the Victoria Gallery and Museum and the Williamson Art Gallery and Museum, to 30 schools and learning groups, and almost 2,000 students, volunteers and learning families all over the country.

**Reaching out to People and Museums**

*Across the Country*

The Museum's Outreach and Activity Programme included a wide range of activity at a number of locations across the UK. Large-scale events brought the Museum and its collections into contact with many people and communities who would not have encountered the Museum in the past. This included the Elephant and the Nun Community Festival at Southwark (15 August 2015), Leicester Old Town Festival (22 August 2015), London Mela, held at Gunnersbury Park (September 2015), Africa on the Square and Diwali on the Square (October 2015). The Museum also attended Armed Forces Day in Guildford (July 2015).

Outreach activity was also undertaken with a large number of different partners. This included the Black Cultural Archives, Army Civil Engagement and the West African Service Personnel (WASP) organisation. Many of these partnerships included community re-interpretation workshops, which provided external expert knowledge and cultural

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perspectives on much of the Museum's collections. This included the Museum's collection of Regimental Colours relating to the West India Regiment and material relating to the Sikh Regiments.

Staff spoke at a number of conferences including the conference of the International Committee for Museums of Arms and Military History in Krakow and the Battle of Waterloo conference at York University in June 2015.

NAM staff attending events across the country were seen by over 1,000,000 people and over 200,000 were engaged in a substantive manner during the course of the year.

*Loans*

As in every year, the Museum is called upon to lend objects to exhibitions around the world: a tribute to the Museum's wide-ranging and diverse Collection. Some exhibitions are international blockbusters, others are smaller affairs but all provide an opportunity for the Museum's artefacts to be seen by a wider public.

This year the Museum's Waterloo collections were in high demand as part of the bicentenary commemorations. Over 150 items associated with the Battle of Waterloo were lent across 12 institutions, both in the UK and abroad; including the National Portrait Gallery and Musée Wellington.

*Museums and Archives*

In the spirit of professional cooperation the Museum provides assistance, where possible, to other institutions.

Academic partnerships also continued to be developed with a bid made to the Arts and Humanities Research Council (AHRC) for a Collaborative Doctoral Award with the University of Birmingham 'Commemorating Battle: A Holistic Approach to Memorial Practice'. Work also continued with National Museums Scotland on the 'Baggage and Belonging' project. In addition support to a symposia series and exhibition around the theme of 'Soldiers Art 1800-2018' was also given in regard to a project led by the University of Cardiff and the Victoria & Albert Museum.

Regular consultation throughout the year with The National Archives (TNA) has been taking place, ahead of the Museum's application for Archive Accreditation. Linkages with how both the Museum and TNA might also work with regimental archives are also now being actively explored.

*Stevenage*

Plans to work with key partner Stevenage Museum (SM) were delayed due to flooding at the premises in July 2015, a key planning stage for the current academic year, and the programme was almost cancelled. NAM gave Collections Care support (and de-humidifiers) to the Museum to assist them in their emergency plan and rescue their collection. In the meantime the NAM Learning team worked to rescue those parts of the programme that had already been confirmed, and delivered a very successful outreach event to 200 students at Nobel School in November 2015. To give SM time to re-group, further activity has been deferred to 2016-17.

*Regimental Museums*

The Museum has continued to develop a very productive relationship with Regimental and Corps Museums. This has included the ever popular Regimental Curators Course, but has also included courses designed to meet specific need. For the first time a course on Emergency Planning was hosted and delivered at NAM Stevenage, partly in response to interest as a result of the fire at the Queen's Royal Surrey Regiment Museum, which was almost completely destroyed by fire.

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Advisory visits to museums and the establishment of networks designed to increase the resilience and capacity of Regimental Museums also made significant progress. This included the establishment of new networks in East Anglia, Wales and the West Country.

*War Graves adjudication*

The War Graves service, carried out on behalf of the MOD, reviewed 301 cases of which 261 were passed, 38 rejected and 2 were referred elsewhere. Since March 2015, the NAM's WGAU has been assisting the JCCC with cases relating to the identification of newly-discovered First and Second World War remains, as well as the identification of those previously buried as 'unknown soldiers'. The WGAU has continued to advise the General Register Office whether it is appropriate to create or cancel armed forces death certificates.

*Online*

Archives relating to the disbanded Irish Regiments, Women's Army Services and the Battle of Waterloo have been digitised (22,000 scans in total).

The enlistment books of the disbanded Irish regiments have been digitised and indexed and an online system created to allow the public to search the c12,000 records contained within these books.

In parallel, the Museum piloted crowdsourcing to transcribe and tag c6,000 Waterloo scans via the Heritage Helpers website. The project is 50% complete and has involved c200 participants so far.

As part of the conclusion to the Esmée Fairbairn 'Brothers in Arms' Project, digitisation of Indian Army photograph albums was undertaken, providing 15,000 digital images, which will be made publicly available.

Digital content has been developed to explore the British Army's experience in Afghanistan. This includes video interviews with veterans, politicians and campaigners, as well as artefacts acquired as part of the Museum's growing contemporary collecting efforts. This material will be published online via the NAM's website in 2016-17.

As a focal part of the Museum's First World War (FWW) Commemoration Programme, work on the FWW in Focus continued with 12 WW1 Soldiers' Stories, 24 WW1 News stories, 8 WW1 Commonwealth & Empire videos and 4 WW1 Learning Resource Packs published.

Seven lunchtime lecture videos have been published on the NAM website.

The use of live tweeting to facilitate audience participation was trialled at our Gender in Propaganda panel event in March 2016.

Work has been undertaken with the support of our Digital Marketing Apprentice to map our social media audiences to our audience segmentation model. This will allow us to target growth in specific digital audience segments.

20 BftF project blogs have been published on the Building for the Future microsite.

In November the Museum produced a collection of videos investigating public opinion about the British Empire and Commonwealth and the troops that served alongside the British Army during the First World War.



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During 2015-16, 553 objects were added to the Online Collection. The integration of an Archive Viewer within the Online Collection was piloted, allowing the public to scrutinise more closely the scans of letters, diaries and other paper-based objects generated as part of the BftF digitisation projects.

In March the Museum published online for the first time the personal accounts of Brigadier General Ernest Maconchy. These shed light 100 years on from the Easter Rising.

### **A Dynamic, World-Class Collection**

#### *Major acquisitions 2015-16*

Over the year the Museum continued to add items to its nationally-important collections. Through these acquisitions the NAM strengthens its position as the first choice for the history and life of the British Army. This year the focus was on continuing to collect items for our brand new galleries, whilst also filling gaps in the study collection. It was also a year for reflection: over 7,000 items have been collected as part of the Museum's contemporary collecting initiative since 2012. These new additions cement the Museum's position as the place to learn about the modern soldier as well as the story of the whole British Army.

Successful collecting across a broad range of subjects and collections continued this year. This included material relating to the legacy of the war in Bosnia, where British military advisory teams are still deployed. The historically important 'East View of the Great Cataract of Niagara', completed by a Royal Artillery Officer in 1762, the earliest known representation of the Niagara Falls was saved for the nation by the Museum, having been placed under temporary export bar by the Department for Culture, Media and Sport (DCMS). This important acquisition was generously supported by both the Art Fund and the Heritage Lottery Fund.

Other key areas of the Museum's Collections were enhanced with the gallantry medal groups to men of Indian Army Regiments. This included a Military Medal to the Chamar Regiment (a little known Indian Army unit raised in 1943 and disbanded in 1946). Agreement on the acquisition of the Regimental Archive of the Grenadier Guards was also completed.

The Museum continued to add to its nationally important firearms collection by acquiring a Sharpshooter rifle (NAM. 2015-04-2); this weapon was required by the Army for operational reasons in Afghanistan and will feature in the new galleries.

Also this year the Waterloo bicentenary commemorations presented excellent opportunities for the NAM to collect material relating to the battle and create synergies with our existing collections. This included a baton presented to Capt Clarke from the Officers of the 1st (or Royal) Dragoons, commemorating the capture of the French eagle of the 105th Regiment at the Battle of Waterloo (NAM. 2016-01-23). This very eagle is in our Collection (NAM. 1971-10-24-3).

The Museum was delighted to receive by donation the coatee worn at Waterloo by Lt Col Sir Thomas Harris KH (NAM. 2015-10-1), following a successful fundraising campaign by the family. The right arm of the coatee had to be cut off to perform life-saving surgery after Harris was knocked off his horse during the battle.

Our Waterloo collecting was topped off by the acquisition of the Duke of Wellington's cloak which he used during the campaign (NAM. 2015-07-10). Wellington gave the cloak to his lover, Lady Caroline Lamb, after the battle. The cloak had remained in the same family since 1823 prior to its sale.

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An infantry officer's sword which belonged to Lt Gen Sir Henry Clinton (NAM. 2016-01-22-1 to -3) was purchased to complement existing collections relating to the Clinton family.

The Museum continued to collect material relating to the First World War commemorations, including two commemorative Grandma Singletons Tasty Lancashire Cheese wrappers (NAM. 2015-11-6-1 & -2).

Further contemporary material collected included an Iraq Medal to Gnr Biudole: a Fijian and NAM's first issued example from this conflict (NAM. 2016-03-34). The Museum was also fortunate to acquire a large archive of material relating to the Trucial Oman Scouts, a short-lived paramilitary force which served in the Persian Gulf before the formation of the United Arab Emirates.

*Purchase Grant*

The Museum receives an annual Purchase Grant from the Sponsor Department to purchase important items for its collections. This year £312,000 was spent on over 40 items or groups of items. This figure includes a combined grant of £95,000 from the Heritage Lottery Fund and The Art Fund which was used to acquire the Niagara watercolour.

*Disposal*

Disposal of items from the Collections is a key part of the Museum's collections management programme. In combination with continued acquisition, focussed disposals will ensure that the Museum's Collections remain fit to tell the Army's stories. All disposals are processed in line with the Museum's Acquisition & Disposal Policy, along with the Museums Association's Code of Ethics. Destruction is only considered as a last resort or when an item poses a Health and Safety risk to staff or the public.

Although this year no items were disposed of, the long-term result of the Museum's disposal programme is a leaner, fitter Collection, more focussed on the needs of our visitors and users and better fitted to fulfil the requirements of the Museum's Royal Charter.

*Conservation and Care*

Over 2,500 items were conserved for display in the new galleries and conservators also provided expert advice to the public and other institutions around the world.

As part of the *Brothers in Arms* project, over 200 photograph albums have been digitised, increasing access to the Collection in new and innovative ways.

The Museum, in conjunction with its other collections management policies, continued to implement its Collections Conservation Management Plan to ensure the on-going preservation of the Museum's Collection for the next ten years. Over a third of the recommendations have already been completed.

Barcoding is being used across the Museum for the location of the Collection. This, along with the photography of items, allows the staff to locate collections and make available online images of the items.

To maintain its status as a "Place of Deposit", the Museum has been working closely with The National Archives to ensure that the new Archives store at Chelsea will meet the requirements of PD5454.

*Documentation*

Accessions and retrospective cataloguing are entered on the Museum's centralised Collections Database and Network

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Infrastructure (CABAL). Work continued on the important retrospective documentation of all areas of the Collection. New accession numbers issued during 2015-16 totalled 309 (2014-15: 354), plus 187 new accessions to the Printed Books collection (2014-15: 127). The overall totals for CABAL entries from 1998 to 31 March 2016 are therefore 103,691 data records (2014-15: 103,281), plus 55,096 book records (2014-15: 54,945), and 465,748 part records (2014-15: 440,457).

*Storage*

Re-packaging and improving the storage of a huge range of material has also continued, this includes the conservation and storage of flags and colours, textiles and uniform items.

Work on the Museum's books and archives collections to prepare those elements for return to Chelsea has also been continuing. This will improve location controls and ensure that every item that is returned to Chelsea is fully and properly recorded.

**People and Resources**

*Volunteers*

83 volunteers gave a total of over 7,921 hours of their time and supported staff in a whole range of activities: from collections care to learning outreach, with the continued implementation of the Museum's volunteering strategy.

In addition, the Museum was very pleased to learn that its volunteering programme was formally recognised in October 2015 when NAM achieved the "Investors In Volunteers" Award. The programme, volunteers and the support offered both administratively and by NAM supervisors, underwent close scrutiny for almost a year, by their UK Quality Assurance Panel. This accreditation is valid for three years and also makes NAM a member of the 'Investors in Volunteers Achievers Club'.

Volunteers, by giving up their precious time and skills, continue to enable us to undertake new and more ambitious projects and activities. The formal recognition of our ambitious programme ensures that it will continue to go from strength to strength.

*Staff*

New roles were recruited in Exhibitions & Interpretation, Learning & Outreach and Project Support.

A new management framework for sharing objectives and workflows, and assessing awards was developed for introduction in 2016-17 and Mental Health First Aid training and organisational support was put in place.

*Training*

In addition to the usual training programme, specialist training was delivered in the areas of Project Management and Supervision of Volunteers. Team Building training was delivered for the Public Programmes Division. Executive Coaching was provided to two senior members of staff and supplementary IT skills training was delivered.

Additional e-learning modules have been developed and rolled out to staff and volunteers (Anti-Bribery and Environmental Awareness).

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During the year six members of curatorial staff continued work on the Museum's mentoring scheme. This consisted of a wide range of activity designed to build professional museum skills, including text writing and research skills, as well as deepening subject and collections knowledge. Visits to a number of institutions, both in the UK and abroad, enabled staff to share knowledge and experience with colleagues from a wide range of museums.

Three Cultural Cooperation trainees were appointed in Learning, Early Years and Access & Outreach Departments.

**Financial Review**

*Consolidated Results for the Year ended 31 March 2016*

Total incoming resources for the Museum in 2015-16 amounted to £12,180,000 (2014-15 £13,728,000). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2015-16 this was £6,555,000 (2014-15 £10,866,000) which included a one off grant of £500,000 towards the Museum's redevelopment (2014-15 £5,000,000). Total resources expended amounted to £5,968,000 (2014-15 £5,948,000). After adjustment for the revaluation of the Museum's leasehold property and other recognised gains and losses, the net movement in funds for the year showed an increase of £7,063,000 (2014-15 £8,382,000).

The Museum's net assets as at 31 March 2016 amounted to £103,247,000 (31 March 2015 £96,184,000).

*Changes in Tangible Fixed Assets*

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

During the year the Museum spent £7,921,000 on additions to tangible fixed assets. The vast majority of this expenditure (£7,788,000) was in relation to the on-going refurbishment of the Museum.

**Future Plans**

The focus of the Museum over the next reporting period is to progress the redevelopment project to an opening early in 2017. The current Outreach Activity Plan will be reduced to allow those staff to assist in setting up the galleries and returning the collections to Chelsea. The Collections Conservation Management Plan, will continue to be progressed in line with the commitment to the care of the collections as indicated in the HLF application and the post project Accreditation application. This along with the review of the project Business and Sustainability Plan and existing Strategic Plan, will be used to inform the post project Strategic Plan for 2017-22.

**NATIONAL ARMY MUSEUM**

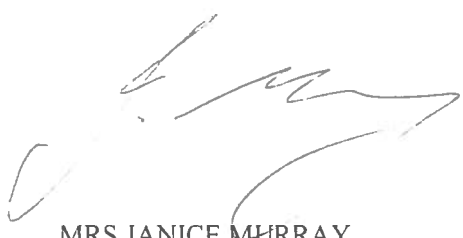
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**Targets and Key Performance Indicators**

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

MEASURE		2014-15 Budget	2014-15 Out-turn	2015-16 Budget	2015-16 Out-turn	2016-17 Budget
<b><u>Access</u></b>						
1.	Number of visitors to the museum/gallery	22,000	18,500	0	0	57,000
2.	Number of unique website visits	600,000	668,671	720,000	722,541	888,888
3.	Social media reach/impressions/views	n/a	n/a	n/a	n/a	8,000,000
4.	Number of outreach participants	130,000	166,345	120,000	222,268	180,000
<b><u>Visitor Satisfaction</u></b>						
5.	% of people who would recommend a visit	n/a	n/a	n/a	n/a	96%
6.	% of people who said they learned something new	n/a	n/a	n/a	n/a	90%
<b><u>Income Generation</u></b>						
7.	Trading profit/(loss)	£27,000	£26,536	£12,380	£(20,513)	£(15,583)
8.	Amount of Income raised through fundraising	£2,090,000	£463,163	£1,500,000	£2,058,000	£1,030,000

(NAO) National Audit Office



MRS JANICE MURRAY  
DIRECTOR GENERAL  
AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF  
CHAIRMAN, ON BEHALF OF  
COUNCIL

14<sup>th</sup> July 2016

National Army Museum  
14<sup>th</sup> July 2016

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**ACCOUNTABILITY REPORT**

CORPORATE GOVERNANCE REPORT

DIRECTOR'S REPORT

**Members of Council**

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

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

**Register of Interests**

A Register of Interests is maintained for Members of Council. This may be inspected on request at the Museum by prior appointment with the Director General and it is currently anticipated that the Register will be available online within the next twelve months. No matters are noted in this Register which give rise to specific conflicts with regard to Council's management responsibilities.

**Members of Council**

General Sir Richard Shirreff KCB CBE (Chair)  
Mr Patrick Aylmer (from June 2015)  
Mr Keith Baldwin  
Mr Patrick Bradley  
Brigadier Douglas Erskine Crum  
The Rt Hon The Lord Hamilton of Epsom  
Professor William Philpott  
Ms Jessica Spungin (from June 2015)  
Mr William Wells (from June 2015)  
Lt General Sir Barney W B White-Spunner KCB CBE  
Ms Caroline Wyatt  
Mrs Deborah Younger

**Recruitment, Appointment and Training of Trustees**

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

**Organisation Structure and Decision-Making Process**

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

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<u>Acquisition &amp; Disposal</u>	Professor William Philpott (Chair) Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI (nominated member) Ms Caroline Wyatt
<u>Audit &amp; Risk Assurance</u>	Mrs Deborah Younger (Chair) Mr Jeremy Archer (nominated member) Mr Patrick Aylmer (from June 2015) Mr Keith Baldwin
<u>Building for the Future</u>	Brigadier Douglas Erskine Crum (Chair) Mr Keith Baldwin The Rt Hon The Lord Hamilton of Epsom General Sir Richard Shirreff KCB CBE Lt Gen Sir Barney W B White-Spunner KCB CBE
<u>Remuneration &amp; Appointments</u>	General Sir Richard Shirreff KCB CBE (Chair) Mr Keith Baldwin Professor William Philpott

The Remuneration & Appointments Committee sits as required.

Additionally, a working group, the Appeal Committee, was set up in May 2015 under the aegis of the Chairman, General Sir Richard Shirreff KCB CBE, to support the Museum Development Department to raise funds for the Museum re-development. Members of the group are:

General Sir Richard Shirreff KCB CBE  
Brigadier Douglas Erskine Crum  
Ms Brenda Hobday (nominated member)  
Ms Jessica Spungin  
Mr William Wells

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

Mrs Janice Murray	Director General
Mr Mike O'Connor	Museum Director
Mr David Bownes	Assistant Director (Collections) until 11 May 2015
Mr Ian Maine	Assistant Director (Collections) from 8 June 2015
Miss Dawn Watkins (NAMTL)	Assistant Director (Commercial & Visitor Experience) from 17 September 2015
Ms Rosemary Gilbert	Assistant Director (Development) until 1 September 2015
Miss Teresa Scott	Assistant Director (Human Resources)
Miss Genevieve Adkins	Assistant Director (Public Programmes)

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

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**Personal Data Loss**

The Museum has identified no personal data related incidents during 2015-16. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

**STATEMENT OF COUNCIL'S AND ACCOUNTING OFFICER'S RESPONSIBILITIES**

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

In preparing financial statements, giving a true and fair view, the Accounting Officer and Council is required to:

- Observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards and statements of recommended practice as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

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

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

**GOVERNANCE STATEMENT**

This Governance Statement sets out the arrangements for the governance of the NAM, including the Council and Committee structure for the Members. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the NAM Council and Accounting Officer previously contained in the Statement on Internal Control.



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**The Governance Framework**

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

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

**The NAM Council and the Committee Structure**

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

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

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

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

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

The NAM Council met on three scheduled occasions during 2015–16. In addition to the "normal" meetings a Special Meeting of Council was held to discuss issues relating to the Building for the Future (BftF) redevelopment project, as well as a Strategic Planning Away Day. The Council received a redevelopment project briefing outside of the "normal" schedule of meetings. Listed below are the Council Members and their attendance at Council meetings:

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Post	Name	Attendance		
		Normal	Special	Away day
Chairman	General Sir Richard Shirreff KCB CBE	3	1	1
Members	Mr Patrick Aylmer (app't'd June 2015)	3	1	1
	Mr Keith Baldwin	3	1	1
	Mr Patrick Bradley	2	1	1
	Brigadier Douglas Erskine Crum	3	1	1
	The Rt The Hon Lord Hamilton of Epsom	2	1	1
	Professor William Philpott	3	1	1
	Ms Jessica Spungin (app't June 2015)	2	1	1
	Mr William Wells (app't June 2015)	2	1	1
	Lieutenant General Sir WB Barney-White Spinner KCB CBE	1	-	1
	Ms Caroline Wyatt	-	1	1
Mrs Deborah Younger	3	-	-	

### Register of Interests

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

### NAM Council Committees

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

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

#### Audit & Risk Assurance Committee

During 2015-16 the Audit & Risk Assurance (A&RA) Committee had three planned meetings. The Committee members and their attendance at the meetings are listed below:

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<b>Post</b>	<b>Name</b>	<b>Attendance</b>
Chair	Mrs Deborah Younger	3
Member	Mr Patrick Aylmer	3
	Mr Keith Baldwin	3
Nominated Member	Mr Jeremy Archer	3

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

Acquisition & Disposal Committee

The Acquisition & Disposal Committee had two planned meetings during 2015-16. Listed below are the members of the Committee and their attendance at the meetings:

<b>Post</b>	<b>Name</b>	<b>Attendance</b>
Chair	Professor William Philpott	2
Member	Ms Caroline Wyatt	-
	Professor Brian Holden-Reid MA PhD FRHistS FRGS FRUSI	1

Building for the Future Committee

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

<b>Post</b>	<b>Name</b>	<b>Attendance</b>
Chair	Brigadier Douglas Erskine Crum	6
Members	The Rt Hon The Lord Hamilton of Epsom	6
	Mr Keith Baldwin	4
	General Sir Richard Shirreff KCB CBE	4
	Lieutenant General Sir Barney White-Spunner KCB CBE	4

Remuneration & Appointments Committee

The Remuneration & Appointments Committee had one planned meeting in this reporting period. Listed below are the members and their attendance:

<b>Post</b>	<b>Name</b>	<b>Attendance</b>
Chair	General Sir Richard Shirreff KCB CBE	1
Members	Mr Keith Baldwin	1
	Professor William Philpott	1

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NAM Foundation

The NAM Foundation met twice in this reporting period: once by email and once via a conference call.

The NAM Council has established a subsidiary company – National Army Museum Trading Limited (NAMTL), the Board of which includes four Directors. Decisions taken by this company remain the responsibility of the Directors of NAMTL.

**NAM Council Members' Performance.**

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

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

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

**Review of Effectiveness of Internal Control**

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

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

**Internal Auditors**

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

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

The risks contained in the Risk Matrix have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The future internal audit programme will look at the remaining risks, which include the sufficiency of funding in the form of Grant-in-Aid. This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. The Museum Director retains overall responsibility for the key control systems of the Museum and he supports directly the work of the A&RA Committee.

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The internal auditors also provide an annual statement of assurance on the key areas of risk reviewed to the Accounting Officer and the NAM Council on the work performed in the year. The reports for the current year are still in draft but indicate an overall rating for the year of there generally be a good control framework in place for the areas reviewed with some minor weaknesses.

**External Auditors**

The external auditor of the Museum is the C&AG. The accounts are consolidated with the accounts of the NAM's trading subsidiary (NAMTL) who are audited by Kreston Reeves LLP (formerly known as Spofforths LLP). The NAO is invited to attend the regular meetings of the A&RA Committee which includes the "end of year" presentation of the Consolidated Accounts at its July Meeting, where it discusses their findings with the Committee.

**Triennial Review**

The Museum, along with the other service museums were subject to a Triennial Review which was carried out late 2015. A draft report has been produced and a response sent back to the Sponsor Department. The final report was expected at the end of this reporting period but this is still awaited.

**Risk Management**

A Risk Management Statement has been drawn up with reference to the HM Treasury publication *Management of Risk - A Strategic Overview* (January 2001), the Adjutant-General's 'Corporate Governance & Risk Management Policy Statement' (13 July 2001), and the Cabinet Office & HM Treasury publication, *Your Delivery Strategy* (September 2001).

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

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

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

The Museum's Risk Matrix is maintained under the guidance of the A&RA Committee and focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, which are being revised in line with the successful HLF funding application.

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

**Information Risk Management**

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

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

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

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

**Statement of Assurance**

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

**Auditors**

These accounts are audited by the Comptroller and Auditor General in accordance with the Museum's Royal Charter. No non-audit services are provided to the Museum by the auditor.

The cost of the audit of the Museum and its trading company for 2015-16 is £27,750 (2014-15: £25,000) of which £23,600 relates to this year's audit of the Museum and £4,150 to the audit of NAMTL.

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

**REMUNERATION AND STAFF REPORT**

**Remuneration Policy**

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

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



**NATIONAL ARMY MUSEUM  
TRUSTEES REPORT AND REPORT OF COUNCIL  
YEAR ENDED 31 MARCH 2016**

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Real increase in cash equivalent transfer value as funded by employer (PCSPS)	29	20	3	0	0	N/A	N/A	N/A
Real increase in cash equivalent transfer value as funded by employer (alpha)	N/A	N/A	8	1	10	N/A	N/A	N/A
Annual pension receivable as at 31st March 2016 based on this being last day of service	10	16	15	5	4	N/A	N/A	N/A

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

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

**Fair pay disclosure (Subject to audit)**

	2015-16	2014-15
Band of highest paid director's total remuneration (£'000)	110-115	110-115
Median total remuneration	34,346	33,911
Remuneration ratio	3.3	3.3

Median total remuneration is calculated by excluding the remuneration of the highest paid director and by including full time equivalent remuneration for all staff.

The opening cash equivalent transfer value (CETV) figures as at 31 March 2016 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

None of the above received any benefits in kind during the year (2014/15 £Nil).

No members of the Council received any remuneration during the year (2014/15 £Nil). During the year reimbursements were made to members of the Council totalling £1,373 (2014/15 £1,713) for travel and subsistence and £Nil (2014/15 £Nil) for hospitality.

**Staff Report (Subject to audit)**

	2016 £'000	2015 £'000
<b>Staff costs comprise:</b>		
- wages and salaries	2,197	2,311
- social security costs	178	202
- pension costs	333	360
- redundancy costs	0	71
- temporary staff and recruitment costs	210	218
	<u>2,918</u>	<u>3,162</u>

Staff costs for the year include an accrual of £89,000 for short-term compensated absences arising from employee entitlement to annual leave following the implementation of Charities SORP (FRS 102).



**NATIONAL ARMY MUSEUM  
TRUSTEES REPORT AND REPORT OF COUNCIL  
YEAR ENDED 31 MARCH 2016**

Excluding the Director General and members of the management team, no employees received remuneration for 2015-16 excluding pension contributions, greater than £60,000 (2014-15 no employees).

The average number of senior management and staff was:

	2015/16	2014/15
Collections	28	30
Curatorial	24	23
Education	3	4
Publicity	3	3
Trading	2	2
Fundraising	3	4
	<u>63</u>	<u>66</u>

28 of the above staff are male and 35 female. 16 staff are employed on short term contracts with all other staff employed on a full time contract. The above includes 8 part time staff members.

Redundancy costs for the prior year relate to one approved exit package during the year. No exit policies were agreed in the year.

#### **Consultancy and off-payroll arrangements**

The total expenditure on consultancy in the year was £22,399.

NAM has engaged individuals during the year under arrangements that could be seen to be similar to those envisaged by HM Treasury Guidance on off- payroll arrangements at a total cost of £104,600.

At 31 March 2016 there were three existing arrangements all of which have existed for less than one year.

All of these arrangements have been recently risk assessed to consider whether assurance is required that the individual is paying the right amount of tax and, where necessary that assurance is currently being sought.

All of the arrangements commenced during the year and include contractual clauses giving NAM the right to request assurance in relation to income tax and national insurance obligations which NAM is currently in the process of requesting.

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

#### **Sickness and Absence data**

The National Army Museum employed 62 members of staff at 31 March 2016 (54 full-time and 8 part-time) and monitored sick absence as part of its commitment in promoting the health, safety and welfare of all members of staff. Information collated from the Department of Human Resources is available to the Museum's Management Team who are responsible for identifying potential risks arising from any patterns that may occur and also made available to NAM Council. During 2015-16, there were 301.5 (full time equivalent) days lost to sick absence compared to 340.5 days lost in 2014-15.

During the period, the average number of days' sickness absence per employee was 4.9 compared to 5.2 days in 2014-15 (long-term incidents of sickness absence have been excluded to give a more accurate picture of sickness absence at NAM). A policy on the management of attendance is in place to promote arrangements for dealing with sickness absence in a manner, which is fair and sensitive to staff, as well as minimising the effect of absences on operational requirements.

#### **Equality, Diversity & Access**

The National Army Museum (NAM) is an Equal Opportunities Employer.

The NAM is committed to providing a working environment in which members of staff are able to realise their full potential and contribute to the Museum's success. The NAM will also take all reasonable steps to provide a work

**NATIONAL ARMY MUSEUM  
TRUSTEES REPORT AND REPORT OF COUNCIL  
YEAR ENDED 31 MARCH 2016**

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

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

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

#### **Employee Consultation and Involvement**

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

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

#### **Employer Pensions**

For 2015-16 employers' pension contributions for the Museum of £312,197 were payable to the PCSPS (2014-15 £353,575) at rates based on salary bands as follows:

Band one	-	£22,000 and under	20.0%
Band two	-	£22,001 - £45,000	20.9%
Band three	-	£45,001 - £75,000	22.1%
Band four	-	£75,001 and over	24.5%

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

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

#### **Salary**

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

#### **Benefits in Kind**

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

#### **Pension Benefits**

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPS). This scheme is an unfunded multi-employer defined benefits scheme but the National Army Museum is unable to identify its share of the

**NATIONAL ARMY MUSEUM**  
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**Principal Civil Service Pension Scheme (PCSPS)**

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). From 30 July 2007 this also includes Nuvos and from 1 April 2015 Alpha. Further details about the new Alpha scheme can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the Classic, Premium and Classic Plus are increased annually in line with changes in the Pensions Increase Legislation. New entrants after 30 July 2007 may choose between membership of Nuvos, Alpha or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set between 3% and 8.05% dependent on salary. Benefits in Classic accrue at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up or commute some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as classic. For Nuvos, pension builds up each scheme year, at the rate of 2.3% of pensionable earnings, there is no automatic lump sum (but members have an option to take a tax free lump sum in exchange for part of their pension). Whilst Alpha will provide a defined benefit based on a career average salary.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

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

**PARLIAMENTARY ACCOUNTABILITY**

**Regularity of Expenditure (Subject to Audit)**

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

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

**NATIONAL ARMY MUSEUM**  
**TRUSTEES REPORT AND REPORT OF COUNCIL**  
**YEAR ENDED 31 MARCH 2016**

	£'000
2015-16	5,929
2014-15	5,740
2013-14	6,023
2012-13	6,276
2011-12	5,637

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

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

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

**Other considerations (Subject to Audit)**

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

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

**Long-term expenditure trends**

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

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Staff costs	2,918	3,162	3,563	3,387	3,439
Premises costs	592	708	849	869	745
Collection maintenance	804	638	476	644	707
Events and promotion	437	410	290	442	314
Depreciation	420	454	752	767	776
Impairment of fixed assets	0	0	4,099	0	0
Administration and other	797	576	1,286	1,109	841
	<u>5,968</u>	<u>5,948</u>	<u>11,315</u>	<u>7,218</u>	<u>6,822</u>

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



MRS JANICE MURRAY  
DIRECTOR GENERAL  
AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF  
CHAIRMAN, ON BEHALF OF  
COUNCIL

14<sup>th</sup> July 2016

National Army Museum  
14<sup>th</sup> 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 National Army 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 Report disclosures that are described in that report as having been audited.

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

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

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of National Army Museum's affairs as at 31 March 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 Report disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Charities Act 2011; and
- the information given in the Trustees Report and Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.



Sir Amyas C E Morse

Comptroller and Auditor General

National Audit Office

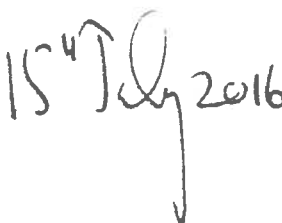
157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Date



**NATIONAL ARMY MUSEUM  
AUDITORS' REPORT  
YEAR ENDED 31ST MARCH 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 National Army 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 Report disclosures that are described in that report as having been audited.

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

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

**Scope of the audit of the financial statements**

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

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

**Opinion on Regularity**

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

**Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the group's and of National Army Museum's affairs as at 31 March 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.

**NATIONAL ARMY MUSEUM  
AUDITORS' REPORT  
YEAR ENDED 31ST MARCH 2016**

**Opinion on other matters**

In my opinion:

- the part of the Remuneration and Staff Report, and the Parliamentary Accountability Report disclosures to be audited has 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 parts of the Remuneration and Staff Report, and the Parliamentary Accountability Report disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date**



**NATIONAL ARMY MUSEUM**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**YEAR ENDED 31ST MARCH 2016**

	NOTE	Unrestricted Funds	Restricted Funds	Total Funds 2015/16	Total Funds 2014/15
		£'000	£'000	£'000	£'000 (Note 3)
<b>Income and endowments from:</b>					
Donations and legacies	4				
Grant-in-Aid		5,929	626	6,555	10,866
Other		14	5,557	5,571	2,774
		<u>5,943</u>	<u>6,183</u>	<u>12,126</u>	<u>13,640</u>
Trading activities	4	45	0	45	79
Investments		2	6	8	8
		<u>5,990</u>	<u>6,189</u>	<u>12,179</u>	<u>13,727</u>
Other		1	0	1	1
<b>TOTAL</b>		<u><b>5,991</b></u>	<u><b>6,189</b></u>	<u><b>12,180</b></u>	<u><b>13,728</b></u>
<b>Expenditure on:</b>					
Raising funds	5	575	34	609	545
Administrative activities	5	5,018	341	5,359	5,403
<b>TOTAL</b>	6	<u><b>5,593</b></u>	<u><b>375</b></u>	<u><b>5,968</b></u>	<u><b>5,948</b></u>
<b>Operating surplus/(deficit)</b>		<b>398</b>	<b>5,814</b>	<b>6,212</b>	<b>7,780</b>
Net (losses)/ gains on investments		0	(11)	(11)	10
<b>Net income/(expenditure)</b>		<u><b>398</b></u>	<u><b>5,803</b></u>	<u><b>6,201</b></u>	<u><b>7,790</b></u>
Transfers between funds		(87)	87	0	0
<b>Other recognised gains/(losses):</b>					
Gains/(losses) on revaluation of fixed assets		49	813	862	592
<b>Net movement in funds</b>		<u><b>360</b></u>	<u><b>6,703</b></u>	<u><b>7,063</b></u>	<u><b>8,382</b></u>
<b>RECONCILIATION OF FUNDS</b>					
Total funds brought forward		66,241	29,943	96,184	87,802
<b>Total funds carried forward</b>		<u><b>66,601</b></u>	<u><b>36,646</b></u>	<u><b>103,247</b></u>	<u><b>96,184</b></u>

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

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




**NATIONAL ARMY MUSEUM**  
**CONSOLIDATED & CHARITY BALANCE SHEET**  
**YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	NOTE	2016				2015			
		Group		Charity		Group		Charity	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>									
Tangible assets	7	29,474		29,474	21,135		21,135		
Heritage assets	8	<u>66,455</u>		<u>66,455</u>	<u>66,143</u>		<u>66,143</u>		
			95,929	95,929	87,278		87,278		
<b>CURRENT ASSETS</b>									
Stocks		36		0	37		0		
Debtors	9	2,664		2,718	2,221		2,294		
Investments	10	221		221	232		232		
Cash at bank and in hand		<u>6,069</u>		<u>6,038</u>	<u>7,090</u>		<u>7,024</u>		
		8,990		8,977	9,580		9,550		
<b>CURRENT LIABILITIES</b>									
<b>CREDITORS:</b>									
Amounts falling due within one year	12	<u>1,672</u>		<u>1,639</u>	<u>674</u>		<u>644</u>		
<b>NET CURRENT ASSETS</b>			<u>7,318</u>	<u>7,338</u>	<u>8,906</u>		<u>8,906</u>		
<b>TOTAL NET ASSETS</b>			<u><u>103,247</u></u>	<u><u>103,267</u></u>	<u><u>96,184</u></u>		<u><u>96,184</u></u>		
<b>RESERVES</b>									
Unrestricted funds	13		66,601	66,621	66,241		66,241		
Restricted Funds	13		<u>36,646</u>	<u>36,646</u>	<u>29,943</u>		<u>29,943</u>		
	14		<u><u>103,247</u></u>	<u><u>103,267</u></u>	<u><u>96,184</u></u>		<u><u>96,184</u></u>		

The financial statements were approved by the Council on 14 July 2016 and signed on its behalf by:



MRS JANICE MURRAY  
 DIRECTOR GENERAL  
 AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF  
 CHAIRMAN

The notes on pages 37 to 54 form a fundamental part of the these financial statements

**NATIONAL ARMY MUSEUM**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31<sup>ST</sup> MARCH 2016**

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2015/16 £'000	Total Funds 2014/15 £'000
<b>Cash flows from operating activities:</b>				
<b>Net cash provided by (used in) operating activities</b>	299	6,902	7,201	6,850
<b>Cash flows from investing activities:</b>				
Purchase of tangible assets	(133)	(7,788)	(7,921)	(2,313)
Purchase of heritage assets	0	(312)	(312)	(27)
Proceeds from sale of tangible assets	0	0	0	12
<b>Net cash provided by (used in) investing activities</b>	(133)	(8,100)	(8,233)	(2,328)
<b>Change in cash and cash equivalents in the reporting period</b>	166	(1,198)	(1,032)	4,522
<b>Cash and cash equivalents at the beginning of the reporting period</b>	1,895	5,427	7,322	2,800
<b>Cash and cash equivalents at the end of the reporting period</b>	2,061	4,229	6,290	7,322

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

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

<b>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</b>	398	5,803	6,201	7,790
<b>Adjustments for:</b>				
Depreciation charges	114	325	439	437
Loss/(profit) on the sale of fixed assets	5	0	5	17
Transfer between funds	122	(122)	0	0
(Increase)/decrease in stocks	1	0	1	8
(Increase)/decrease in debtors	(426)	(17)	(443)	(1,863)
Increase/ (decrease) in creditors	85	913	998	461
<b>Net cash provided by (used in) operating activities</b>	299	6,902	7,201	6,850

The notes on pages 37 to 54 form a fundamental part of these financial statements

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**1. ACCOUNTING POLICIES**

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

**(a) Basis of Preparation**

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

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

**(b) Basis of Consolidation**

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

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

The financial statements of National Army Museum Trading Limited used in consolidation are those for the period ended 31 March 2016.

**(c) Incoming Resources**

Incoming resources are included gross without the deduction of expenditure.

**(d) Grants Receivable**

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

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

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

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

**(e) Other Voluntary Income**

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

**(f) Expenditure on Charitable activities**

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

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

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

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

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

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

**(g) Allocation of support and governance costs**

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

**(h) Pensions Cost**

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

**(i) Taxation**

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

All of the income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. All the taxable profits of the trading subsidiary are distributed to the Charity under Gift Aid. The Corporation Tax liability of the trading subsidiary for the period ending 31 March 2016 was £Nil (2015:£Nil).

**(j) Tangible Fixed Assets and Depreciation**

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

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

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

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

The useful lives for leasehold buildings, fit-out of buildings and plant and machinery have been updated to reflect those advised as part of the 2014 property revaluation.

Assets under construction which relate to the redevelopment of NAM are included at cost which includes directly attributable project costs and not depreciated until the asset is complete and brought into use. Indices are not used to revalue these assets.

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

**(k) Heritage Assets**

**(i) Valuation and Management**

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

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

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

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

**(ii) Depreciation**

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

**(iii) Preservation Costs and Management**

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

**(iv) Acquisitions and Disposals**

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

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

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

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

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**(l) Investments**

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

**(m) Stocks**

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

**(n) Liabilities**

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

**(o) Operating lease agreements**

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

**(p) Financial Instruments**

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

**(q) Restricted and unrestricted funds**

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

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

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**2. Statement of Financial Activities for the Charity alone**

	Unrestricted Funds	Restricted Funds	Total Funds 2015/16	Total Funds 2014/15
	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>				
Donations and legacies				
Grant-in-Aid	5,929	626	6,555	10,866
Other	14	5,557	5,571	2,774
	<u>5,943</u>	<u>6,183</u>	<u>12,126</u>	<u>13,640</u>
Trading activities	1	0	1	1
Investments	2	6	8	8
	<u>5,946</u>	<u>6,189</u>	<u>12,135</u>	<u>13,649</u>
Other	1	0	1	1
Gift aid from subsidiary	0	0	0	26
<b>TOTAL</b>	<u><b>5,947</b></u>	<u><b>6,189</b></u>	<u><b>12,136</b></u>	<u><b>13,676</b></u>
<b>Expenditure on:</b>				
Raising funds	511	34	545	493
Charitable activities	5,018	341	5,359	5,403
<b>TOTAL</b>	<u><b>5,529</b></u>	<u><b>375</b></u>	<u><b>5,904</b></u>	<u><b>5,896</b></u>
<b>Operating surplus/(deficit)</b>	<b>418</b>	<b>5,814</b>	<b>6,232</b>	<b>7,780</b>
Net gains/(losses) on investments	0	(11)	(11)	10
<b>Net income/(expenditure)</b>	<u><b>418</b></u>	<u><b>5,803</b></u>	<u><b>6,221</b></u>	<u><b>7,790</b></u>
Transfers between funds	(87)	87	0	0
<b>Other recognised gains/(losses):</b>				
Gains/(losses) on revaluation of fixed assets	49	813	862	592
<b>Net movement in funds</b>	<u><b>380</b></u>	<u><b>6,703</b></u>	<u><b>7,083</b></u>	<u><b>8,382</b></u>
<b>RECONCILIATION OF FUNDS</b>				
Total funds brought forward	66,241	29,943	96,184	87,802
<b>Total funds carried forward</b>	<u><u><b>66,621</b></u></u>	<u><u><b>36,646</b></u></u>	<u><u><b>103,267</b></u></u>	<u><u><b>96,184</b></u></u>



**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**3. Consolidated Statement of Financial Activities analysis of comparative amounts for year ended 31<sup>st</sup> March 2015**

	Unrestricted Funds	Restricted Funds	Total Funds 2014/15
	£'000	£'000	£'000
<b>Income and endowments from:</b>			
Donations and legacies			
Grant-in-Aid	5,740	5,126	10,866
Other	15	2,759	2,774
	<u>5,755</u>	<u>7,885</u>	<u>13,640</u>
Trading activities	79	0	79
Investments	2	6	8
	<u>5,836</u>	<u>7,891</u>	<u>13,727</u>
<b>Other</b>	1	0	1
<b>TOTAL</b>	<u><u>5,837</u></u>	<u><u>7,891</u></u>	<u><u>13,728</u></u>
<b>Expenditure on:</b>			
Raising funds	523	22	545
Charitable activities	5,069	334	5,403
<b>TOTAL</b>	<u><u>5,592</u></u>	<u><u>356</u></u>	<u><u>5,948</u></u>
<b>Operating surplus/(deficit)</b>	<b>245</b>	<b>7,535</b>	<b>7,780</b>
Net gains/(losses) on investments	0	10	10
<b>Net income/(expenditure)</b>	<u>245</u>	<u>7,545</u>	<u>7,790</u>
<b>Transfers between funds</b>	0	0	0
<b>Other recognised gains/(losses):</b>			
Gains/(losses) on revaluation of fixed assets	81	511	592
<b>Net movement in funds</b>	<u>326</u>	<u>8,056</u>	<u>8,382</u>
<b>RECONCILIATION OF FUNDS</b>			
Total funds brought forward	65,915	21,887	87,802
<b>Total funds carried forward</b>	<u><u>66,241</u></u>	<u><u>29,943</u></u>	<u><u>96,184</u></u>

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**4. Income and endowments**

	Unrestricted Funds	Restricted Funds	Total Funds 2015/16	Total Funds 2014/15
	£'000	£'000	£'000	£'000
<b>(a) Donations and legacies comprise:</b>				
Grant-in-Aid:				
-Operating	5,929	0	5,929	5,740
-Building redevelopment	0	500	500	5,000
-Exhibits	0	126	126	126
	<u>5,929</u>	<u>626</u>	<u>6,555</u>	<u>10,866</u>
Grants towards Building redevelopment:				
-Heritage Lottery Fund	0	3,859	3,859	1,487
-National Army Museum Development Trust	0	0	0	1,000
-MOD in respect of LIBOR compensation fund	0	1,000	1,000	0
-Other	0	558	558	172
	<u>0</u>	<u>5,417</u>	<u>5,417</u>	<u>2,659</u>
Other restricted donations				
-Waterloo 200	0	12	12	30
-Brothers in Arms	0	0	0	70
- Grants for purchase of heritage assets	0	95	95	0
- John Ellerman Foundation	0	33	33	0
	<u>0</u>	<u>140</u>	<u>140</u>	<u>100</u>
Other unrestricted donations	14	0	14	15
Total other donations	<u>14</u>	<u>5,557</u>	<u>5,571</u>	<u>2,774</u>
Total donations and legacies	<u>5,943</u>	<u>6,183</u>	<u>12,126</u>	<u>13,640</u>
<b>(b) Trading income comprises</b>				
-Shop sales	3	0	3	20
-Other	42	0	42	59
	<u>45</u>	<u>0</u>	<u>45</u>	<u>79</u>

**NATIONAL ARMY MUSEUM**  
**NOTED TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**5. Expenditure**

**(a) Expenditure on Raising Funds comprise:**

	Trading	Fundraising	Total	Total
	£'000	£'000	2015/16 £'000	2014/15 £'000
Staff costs	96	167	263	306
Premises costs	7	17	24	32
Cost of sales	9	0	9	17
Subsidiary overheads	15	0	15	6
Depreciation and loss on disposal	11	25	36	33
Collections	2	0	2	0
General administration costs	11	134	145	53
Consultancy	1	1	2	0
Insurance and professional fees	3	7	10	13
Support costs	20	47	67	55
Governance	11	25	36	30
	186	423	609	545

**(b) Expenditure on Charitable Activities comprise:**

	Collections	Curatorial	Education	Publicity	Total	Total
	£'000	£'000	£'000	£'000	2015/16 £'000	2014/15 £'000
Staff costs	933	637	231	200	2,001	2,284
Premises costs	388	67	25	21	501	613
Collections maintenance	802	0	2	0	804	638
Event costs	0	0	127	0	127	120
Promotion costs	12	0	0	298	310	290
Depreciation and loss on disposal	145	98	36	30	309	356
General administration costs	138	93	35	30	296	241
Consultancy	7	5	2	1	15	2
Insurance and professional fees	46	32	11	10	99	135
Support costs	327	124	62	78	591	468
Governance costs	169	64	32	41	306	256
	2,967	1,120	563	709	5,359	5,403

**(c) Governance and support costs comprise:**

	2015/16				2014/15		
	Finance	Human	Information	Total	Governance	Support	Governance
	£'000	Resources	Technology	Support	£'000	£'000	£'000
		£'000	£'000	£'000			
Staff costs	202	133	103	438	216	383	189
Premises costs	24	14	11	49	18	46	17
Depreciation	36	21	16	73	27	48	18
General administration costs	35	20	16	71	28	32	13
External audit	0	0	0	0	26	0	25
Internal audit	0	0	0	0	5	0	10
Consultancy	2	1	1	4	1	0	0
Insurance and professional fees	11	7	5	23	20	14	12
Trustees expenses	0	0	0	0	1	0	2
	310	196	152	658	342	523	286

**NATIONAL ARMY MUSEUM**  
**NOTED TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

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

Trustees expenses of £1,373 (2015: £1,713) relate to travel expenses reimbursed for 2 trustees (2015 – 2 trustees).

<b>6. Total expenditure Total expenditure is stated after charging the following items:</b>	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total 2015/16</b>	<b>Total 2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration				
- audit services	26	0	26	25
Staff costs				
- wages and salaries	2,163	34	2,197	2,311
- social security costs	175	3	178	202
- pension costs	333	0	333	360
- redundancy costs	0	0	0	71
- temporary staff and recruitment costs	210	0	210	218
	<u>2,881</u>	<u>37</u>	<u>2,918</u>	<u>3,162</u>
Operating lease costs				
- land and buildings	308	0	308	368
- other	15	0	15	12
	<u>323</u>	<u>0</u>	<u>323</u>	<u>380</u>

Staff costs for the year include an accrual of £89,000 for short-term compensated absences arising from employee entitlement to annual leave following the implementation of Charities SORP (FRS 102).

Excluding the Director General and members of the management team, no employees received remuneration for 2015-16 excluding pension contributions, greater than £60,000 (2014-15 no employees). Details of the remuneration of the Director General and the management team are shown in the Remuneration Report.

The average number of senior management and staff was:

	2015/16	2014/15
Collections	28	30
Curatorial	24	23
Education	3	4
Publicity	3	3
Trading	2	2
Fundraising	3	4
	<u>63</u>	<u>66</u>

28 of the above staff are male and 35 female. 16 staff are employed on short-term contracts with all other staff employed on a full time contract. The above includes 8 part time staff members.

Redundancy costs for the prior year relate to one approved exit package during the year. No exit policies were agreed in the year.

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2016**

**7. Group and Charity Tangible Fixed Assets**

	Long Leasehold Land and Buildings	Short Leasehold Improvements	Assets under construction	Computer Equipment	Fixtures & Fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>VALUATION</b>						
At commencement of year	18,801	716	2,305	421	854	23,097
Additions at cost	0	0	7,788	33	100	7,921
On revaluation	832	54	0	(6)	(1)	879
Disposals	0	0	0	(50)	(61)	(111)
At end of year	19,633	770	10,093	398	892	31,786
<b>DEPRECIATION</b>						
At commencement of year	950	57	0	386	569	1,962
Charge for year	325	19	0	23	72	439
On revaluation	19	1	0	(3)	0	17
Disposals	0	0	0	(50)	(56)	(106)
At end of year	1,294	77	0	356	585	2,312
<b>NET BOOK VALUE</b>						
At 31 March 2016	18,339	693	10,093	42	307	29,474
At 31 March 2015	17,851	659	2,305	35	285	21,135

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Included in long leasehold land and buildings is a sum of £6,600,000 (2014/15 £6,600,000) for land, which has not been depreciated.

Gerald Eve, Chartered Surveyors undertook a 31 March 2014 valuation of the long leasehold land and buildings in light of the Museum's plans. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual and valued on the Depreciated Replacement Cost basis given the specialist nature of the property. This valuation took into account those items that were likely to be scrapped or otherwise disposed of during the re-development.

The valuation apportioned the total land and buildings as follows:

	£'000
Land	6,600
Structure of buildings	9,467
Fit-out of buildings	489
Plant and machinery	1,054
	<u>17,610</u>

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

**8. Heritage Assets**

**(a) Valuation**

	<b>Museum Collection £'000</b>
At commencement of year	66,143
Additions	312
At end of year	<u>66,455</u>
Net Book Value at 31 March 2016	<u>66,455</u>
Net Book Value at 31 March 2015	<u>66,143</u>

The valuation at 31 March 2016 comprises:

Exhibits	35,134
Fine and decorative arts	19,668
Archives, photographs, film and sound	10,500
Printed books	1,153
	<u>66,455</u>

**NATIONAL ARMY MUSEUM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(b) Five year financial summary of heritage asset transactions

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
<u>Additions</u>					
Purchases	312	27	103	22	44
Donations	-	-	467	-	50
Total Additions	312	27	570	22	94
<u>Disposals</u>					
Carrying Value	-	-	11	3	33
Sale Proceeds	-	-	-	-	71

(c) Grant Received

During the year the Museum received grants towards the purchase of items for its collection of £126,000 (2015 - £126,000) as part of its Grant-in-Aid funding. It also received grants from other parties totalling £95,000 towards the purchase of heritage assets. These grants were used to fund the purchase of heritage assets noted above with any unspent grants being carried forward to fund future acquisitions.

9. Debtors	Group	Charity	Group	Charity
	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Trade debtors	52	50	5	2
VAT debtor	775	774	317	320
Prepayments and accrued income	181	180	208	207
Amounts due from subsidiary undertaking	0	58	0	52
Grant-Aid payment due from subsidiary undertaking	0	0	0	26
Other debtors	1,656	1,656	1,691	1,687
	2,664	2,718	2,221	2,294

Debtors comprise:

Other Central Government Bodies	775	774	317	320
Local Authorities	46	46	16	16
Bodies External to Government	1,843	1,898	1,888	1,958
	2,664	2,718	2,221	2,294

10. Unlisted Investments	Group	Charity	Group	Charity
	2016 £'000	2016 £'000	2015 £'000	2015 £'000

Investment in subsidiary undertaking (note 10a)	-	-	-	-
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Other investments

Market value at beginning of year	232	232	222	222
Add: acquisitions at cost	-	-	-	-
Less: disposals	-	-	-	-
Net unrealised investment (loss)/gains	(11)	(11)	10	10
Market value at end of year	221	221	232	232
Total unlisted investments	221	221	232	232

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Other investments consist of investments in collective investment schemes. They have been reclassified in these financial statements as current assets as they can be converted to cash in less than three months. Comparative amounts in the balance sheet have also been reclassified to provide consistent analysis. The historic cost of these investments was £111,000 (2015 - £111,000).

**10a. Investment in Subsidiary Undertaking**

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

The assets and liabilities of the subsidiary were:

	2016 £'000	2015 £'000
Fixed assets	-	-
Current assets	71	118
Creditors: amounts falling due within one year	(91)	(118)
	<u>(20)</u>	<u>0</u>
	2016 £'000	2015 £'000
Share capital	0	0
Deficit retained in subsidiary	(20)	0
	<u>(20)</u>	<u>0</u>

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

**10b. Income from Trading Company**

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

National Army Museum Trading Limited

	2016 £'000	2015 £'000
Turnover	45	78
Cost of sales and administrative expenses	(65)	(53)
Interest receivable	0	0
Charitable contribution under Gift Aid	0	(25)
Net (loss)/profit	<u>(20)</u>	<u>0</u>



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**11. Cash and Cash Equivalents**

	<b>Group 2016 £'000</b>	<b>Group 2015 £'000</b>
Cash at bank and in hand	6,069	7,090
Investments	221	232
	<u>6,290</u>	<u>7,322</u>

**12. Creditors: Amounts falling due within one year**

	<b>Group 2016 £'000</b>	<b>Charity 2016 £'000</b>	<b>Group 2015 £'000</b>	<b>Charity 2015 £'000</b>
Trade creditors	438	437	297	297
Other creditors	0	0	0	8
Accruals and deferred income	1,234	1,202	377	339
	<u>1,672</u>	<u>1,639</u>	<u>674</u>	<u>644</u>
Creditors comprise:				
Bodies External to Government	<u>1,672</u>	<u>1,639</u>	<u>674</u>	<u>644</u>

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13. Funds Analysis	Balance 1 April 2015 £'000	Reclassifications £'000	Balance 1 April 2015 after reclassifications £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Balance 31 March 2016 £'000
<b>RESTRICTED FUNDS</b>								
NAM Land and Buildings	17,164	478	17,642		(325)	209	813	18,339
Assets under construction	0	2,305	2,305			7,788		10,093
NAM Building for the Future Fund	3,396	2,695	6,091	5,917		(7,780)		4,228
NAM Building Appeal Fund	8		8			(8)		0
Restricted Heritage Assets	0	2,883	2,883			312		3,195
Grant-in-Aid exhibits reserve	0	387	387	126		(217)		296
Grants for purchase of Heritage Assets	0		0	95		(95)		0
Other Restricted Grants and Donations	1,733	(1,611)	122			(122)		0
Funds for upkeep and maintenance of specific parts of NAM collection	496	(35)	461	6			(11)	456
Waterloo Bicentenary	0		0	12	(12)			0
Brothers in Arms (Esmée Fairbairn)	44		44		(38)			6
John Ellerman Foundation	0		0	33				33
Restricted Grant-in-Aid	7,102	(7,102)	0					0
	29,943	0	29,943	6,189	(375)	87	802	36,646
<b>UNRESTRICTED FUNDS</b>	66,241		66,241	5,991	(5,593)	(87)	49	66,601
<b>TOTAL FUNDS</b>	96,184	0	96,184	12,180	(5,968)	0	851	103,247

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As part of the implementation of the new Charities SORP (FRS 102), NAM reconsidered the presentation of the financial statements and concluded that a streamlining of funds was appropriate and that a separate column for Restricted Grant-in-Aid was no longer required.

NAM analysed Restricted Grant-in-Aid at 31 March 2015 and concluded that the balance of £8,784,000 should be reclassified with £7,102,000 being Restricted Funds and £1,682,000 Unrestricted Funds. As a result Unrestricted Funds brought forward have been increased to £66,241,000 from the previously reported £64,559,000. This reclassification is not regarded as a SORP driven transitional adjustment requiring restatement of prior years.

In addition, NAM has also reclassified £1,611,000 of restricted grants and donations, £35,000 of funds for the upkeep and maintenance of specific parts of NAM collection and £1,237,000 of Restricted Grant-in-Aid which relate to heritage assets into a separate fund for these assets.

NAM has recorded a net transfer in year of £87,000 from Unrestricted Funds to Restricted Funds so that the carrying value of Restricted Funds corresponds with the underlying assets for these Funds.

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

Assets under construction relate to the redevelopment of these buildings.

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

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

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

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

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

The Waterloo Bicentenary was a digital legacy creation joint project with Waterloo 200 and Culture24 and was funded by the Heritage Lottery Fund. This project has now been completed.

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

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**14. Analysis of Group Net Assets Between Funds**

	Unrestricted Funds	Restricted Funds	Total 2016
	£'000	£'000	£'000
Tangible fixed assets	1,042	28,432	29,474
Heritage fixed assets	63,260	3,195	66,455
Net current assets	2,299	5,019	7,318
	66,601	36,646	103,247

Revaluation Reserve

No revaluation reserve analysis has been presented in these financial statements. The two principal assets subject to revaluation are NAM's Heritage Assets and Long Leasehold Land and Buildings. NAM does not have detailed records of the cost of these assets including those Heritage Assets acquired by means of donations and is therefore unable to calculate the amount of any revaluation reserve. Any revaluation reserve in respect of the Long Leasehold Land and Buildings would have been significantly reduced by the large impairment in these assets of £4,089,000 recorded in 2013-14.

**15. Operating Lease Commitments**

At 31 March 2016, the Museum had annual commitments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
<u>Operating leases expiring:</u>		
Land and buildings:		
within one year	-	120
over five years	192	192
Other:		
within one year	6	-
within one to five years	8	12

The land and buildings commitment expiring within one year related to the Museum's temporary accommodation at Ergon House.

**16. Related Party Transactions**

National Army Museum Trading Limited

The relationship of the Museum to the Company is disclosed in note 10a, and the balances due from the company at the year end are disclosed in note 9. Mrs Murray and Mr Bradley are directors of National Army Museum Trading Limited and also Members of Council or the Management Team of the Museum.

National Army Museum Foundation

The National Army Museum Foundation was incorporated under the Companies Act 2006 as a private company limited by guarantee. The Foundation is charged with raising funds to support the development of the National Army Museum. There were no transactions between the National Army Museum and the National Army Museum Foundation during 2015/16 and 2014/15.

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National Army Museum Development Trust

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

The funds of the Trust may be applied, at the discretion of the Trust’s trustees, to further the charitable purposes of the Museum or other charitable purposes or institutions. The trustees may not, unless they see special reason, make a payment to the Museum without specifying the particular purpose for which it is to be used, being a purpose for which public funds are not expected to be available. The National Army Museum was awarded a grant from the Trust during 2015/16 for the Museum’s Building for the Future Fund of £nil (2014/15 £1,000,000).

The balance of funds held by the Trust at 31 December 2015 was £448,373 (31 December 2014 £1,466,182). The control and administration of these funds remains, at all times, the full responsibility of the Trust’s trustees.

Society of Friends of the National Army Museum

The Society of Friends of the National Army Museum, a registered charity number 234325, did not provide any funding for the Museum in 2015-16 (2014/15 £Nil). The control and administration of these funds remains at all times the full responsibility of the Society’s trustees.

Ministry of Defence

The National Army Museum is classified for administrative purposes by the Ministry of Defence (“the MOD”) as an Executive Non-Departmental Public Body (ENDPB) which it sponsors. The MOD is regarded as a related party. Grant-in-Aid funding from the MOD is separately disclosed in note 4(a) of the Financial Statements. In addition, NAM has received £1,000,000 from MOD in respect of the LIBOR Compensation Fund for the Building for the Future Fund.

**17. Capital Commitments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Authorised and contracted for at 31st March 2016	8,671	13,500
Authorised at 31st March 2016 but not contracted for	2,288	5,300

The above commitments relate to building work to be undertaken as part of the Building for the Future.

**18. Post Balance Sheet Events**

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





