

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

Royal Navy Submarine Museum Account 2010-2011

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Royal Navy Submarine Museum Account 2010-2011

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 18 JULY 2011

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,
is an Officer of the House of Commons.
He is the head of the NAO, which employs some 880 staff.
He and the NAO are totally independent of government.

He certifies the accounts of all government departments
and a wide range of other public sector bodies;
and he has statutory authority to report to Parliament
on the economy, efficiency and effectiveness with which departments
and other bodies have used their resources.

Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

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Trustees' Annual Report for the year ended 31 March 2011

Reference and Administrative Details of the Museum, its Trustees and Advisers

The Royal Navy Submarine Museum is a registered charity, number 1068419

The Museum's business address is: Haslar Jetty Road, Gosport, Hampshire PO12 2AS.

The Museum's accounts comply with statutory requirements, the charity requirements governing the Museum and the Statement of Recommended Practice for charities. They have been prepared under a direction given by the Secretary of State for Defence with the approval of HM Treasury.

Board of Trustees:

Vice-Admiral Sir T McClement KCB OBE	Chairman
Rear Admiral I Corder Mr P Webb	Vice-Chairman Chairman Finance Committee
Mrs L O'Sullivan Mr RT Schadla-Hall Mr L Shurmer-Smith OBE Rear Admiral T A Spires CBE, BSc Commander R S Forsyth RN Commodore C Munns M Caroe Councillor W Ronayne	Representing Gosport Borough Council
Councillor C Carter	Representing Hampshire County Council
Mr R Dixon	Representing the Submariners Association

Advisors to the Trustees:

Captain W Alexander RN	Former Trustee of the Royal Naval Museum
Mr R M Webb	Chairman of the Development Committee

Non Trustee Members of the Appeal Committee active from April 2009

Commander J Tall, OBE RN
Commodore T Hare RN

Non Trustee members of the Development Committee

Mr R M Webb	Chairman
Rear Admiral P Hoddinott CB OBE	
Commander C Lowther RN	

Non Trustee member of the Finance Committee

Mr B D Ridley

Non Trustee members of the Alliance Project Board

Mr R M Webb
Commander C Lowther RN
Professor D Tweddle

Trustees who have resigned during 10/11

Rear Admiral R C Lane-Nott CB	March 2011
Rear Admiral M Anderson	End of Tenure
Dr. M Copp	End of Tenure
Captain J McLees	November 2010
Councillor P Langdon	June 2010

Trustees who have been appointed during 10/11

M Caroe	March 2011
Rear Admiral I Corder	March 2011
Vice-Admiral Sir T McClement KCB OBE	March 2011
Commodore C Munns	March 2011
Councillor W. Ronayne	July 2010

Senior members of staff

Acting Museum Director & Curator
Mr R Mealings
Director General (NMRN) Professor D Tweddle (Accounting Officer)

Accountants

Mazars LLP
Chartered Accountants
8 New Fields
2 Stinsford Road
Poole
Dorset
BH17 0NF

Auditors

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Auditors of RNSM Enterprises Limited
Mazars LLP, Chartered Accountants
8 New Fields, 2 Stinsford Road
Poole
Dorset
BH17 0NF

Bankers

Lloyds TSB
Gosport Branch
20 High Street
Gosport
Hampshire
PO12 1DE

National Westminster Bank Plc
Gosport Branch
5 High Street
Gosport
Hampshire
PO12 1DA

CCLA Investment Management Limited
80 Cheapside
London
EC2V 6DZ

Solicitors

Blake Lapthorn
Harbour Court
Compass Road
North Harbour
Portsmouth
PO6 4ST

Paris Smith LLP
1 London Road
Southampton
SO15 3AE

Structure, Governance and Management

Status

The governing document of the body is the Trust Deed of 23 January 1998; the Museum's Trustees are incorporated as a body. It is a designated museum under the terms of the National Heritage Act 1983. Following the loss of its NDPB status, the Museum receives Grant funding from the National Museum of the Royal Navy.

Organisational Structure

The Board of Trustees consists of thirteen members and meets four times a year. There are also the following sub-committees:

Finance Committee
Remuneration Committee,
Development Committee
Appeal Committee
Alliance Project Board

Trustees are responsible for agreeing the policies and strategic direction of the Museum. Operational matters are the responsibility of the Acting Director of the Museum.

Board Meetings were held in July and October 2010 and January, March 2011.

The recruitment and appointment of Trustees

The recruitment and appointment of Trustees (including the Chairman) is conducted in accordance with guidelines issued by the Commissioner for Public Appointments. There are four nominated trustees: Rear Admiral Submarines as Vice Chairman, one nominated by the Submariners Association, and the other two by Gosport Borough Council and Hampshire County Council.

All new co-opted and nominated Trustees receive information as laid down by the Charity Commission. They also visit the Museum for Induction training provided by the Museum Director.

Relationship with other Royal Navy Museums

There are four Museums that receive Grants from the Ministry of Defence through the National Museum of the Royal Navy: the Royal Marines Museum, the Royal Naval Museum, the Royal Navy Submarine Museum and the Fleet Air Arm Museum. The Museums work closely together, for example, their Collecting Policies are complementary.

The process of establishing the National Museum of the Royal Navy ("NMRN") and the integration of the four naval service museums began in October 2008 with the appointment of a Director General. The intention is to increase the strategic impact of RN naval heritage and to streamline the organisation and cost of its delivery. In November 2010 RNSM Trustees agreed to a set of company articles that would enable the museum to establish a legal junction with the NMRN.

On 1st June 2011, Royal Navy Submarine Museum "vested" a new company. The Museum is therefore from this date a company limited by guarantee registered in England & Wales under number 7637385 and registered as a charity with number 1142123 of Haslar Jetty Road, Gosport, Hampshire PO12 2AS. All assets and liabilities have been transferred to the new charitable company. The charitable Trust will be closed down over the course of the next few months.

The NMRN is now a corporate member of the new RNSM company and the Director General, is a permanent co-opted member of the new board. The Trustees from the board of the trust have transferred over to the new company and are now directors of the limited company. The Acting Director of the trust has also been appointed to the board as a paid executive director.

Relationship with the Society of Friends of the Royal Navy Submarine Museum

The Friends organisation is a separate registered charity (No.1046251). The object of the Friends is to "be an actively involved society working to preserve the heritage of the Submarine Service through its Museum".

Trustees' Register of Interests

A Register of Trustees' interests is maintained by the Museum and can be made available to the public by application to the Museum's Acting Director.

History of the Museum

The Royal Navy Submarine Museum was established in 1963. It is the United Kingdom's only museum dedicated to the story of the submarine, the men who served in them, and the 5,300 British submariners who gave their lives in war and peacetime. The Museum traces the history of submarine development, from Alexander the Great to the Royal Navy's first submarine *Holland I*, and from man-power through petrol-electric and diesel-electric power, to the giant nuclear vessels of the present day.

Tourists, historians, researchers, scholars, school children, and submariners and their families find in the Museum a rich resource. Visitors leave with a greater understanding of the Submarine Service, the development of the submarine, the heritage of this extraordinary branch of the Royal Navy, and the sacrifices submariners have made in defending the UK in times of war, and in keeping the peace.

Among its world class collection of artefacts, models, equipment, craft, 800 medals, 300 works of art, 2,000 books, 50,000 documents and 120,000 photographs, the Museum displays the 1901 *Holland 1*, the only remaining submarine of the first five ever acquired by the Royal Navy; HMS *X24*, the single remaining example of a British World War II *X-craft* midget submarine; and HMS *Alliance*, the icon of World War II diesel-electric submarines, a class of submarine virtually unchanged in living conditions and design essentials since 1910.

Mission

The stated mission for the Museum as defined by the Deed of Trust can be summarised as:

- To preserve and make accessible the material and intellectual heritage of the Royal Navy Submarine Service
- To promote and educate the public about the heritage of The Royal Navy Submarine Service
- To encourage scholarship and research into the Royal Navy Submarine Service.
- To act as a point of remembrance for the RN submariners lost in the course of duty

Vision Statement

To be the world's most respected and enterprising museum of naval submarine history and technology.

Disclosure of Relevant Information to the Museum's Auditors

So far as each Trustee is aware, there is no relevant audit information of which the Museum's auditors are unaware. Furthermore, each Trustee has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

Public Benefit

In setting out and planning their aims, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and supplementary public benefit guidance on fee-charging. We are committed to providing physical and intellectual access for all members of the public. The Museum has endeavoured to set ticket prices at a reasonable level and to provide concessions for senior citizens, families and other groups including service personnel. The Museum is wholly committed in providing a quality learning experience to all age groups and backgrounds. The service to school groups and the formal learning is entirely free.

Risk Assessment

The Museum maintains a Risk Register that is structured according to the Museum's aims and objectives. This is reviewed on a regular basis. Trustees have ensured that risks are minimised through the receipt of annual reports about Health & Safety and Disaster Planning that incorporate detailed action plans. Trustees are also aware of necessary improvements to some aspects of collection management and these issues are being addressed. Overall, the Museum is in a stable position and has achieved the relevant national standards in all the key areas of its operation.

Financial Review

The Museum is showing net incoming resources of £663,735. After the revaluation of fixed assets, the net loss in 2011 amounted to £(6,105). The donation of £612,500 from the Michael Uren Foundation has been a major factor this year in keeping the overall deficit to a minimum.

Policy on Reserves

The Trustees continually monitor the levels of the Charity's funds expendable at their discretion, defined for the purpose of this policy as the aggregate of the amounts shown as 'Investments' and 'Net Current Assets' in the accounts of the Charity and which are attributable to unrestricted funds. As at 31 March 2011, the level of the Museum's free reserves stood at £364,045 (31 March 2010 £310,118), and represents approximately 3.5 months of core operating expenses.

Payment of Creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills as quickly as possible or in accordance with the agreed terms of business. The Museum's actual payment performance during the year was that all bills were paid within 30 days or in accordance with the suppliers' terms of business.

Post Balance Sheet Events

On 1st June 2011, Royal Navy Submarine Museum "vested" a new company. The Museum is therefore from this date a company limited by guarantee and a registered charity. All assets and liabilities at this date were transferred to the new charitable company.

The Heritage Lottery Fund Awarded the Museum a grant of £3.4 million towards the costs of the HMS Alliance Conservation and Access Project on the 24th May 2011.

Investment Policy

The present investment policy reflects the need for relatively easy access to reserves by maintaining them in cash, and accepting a lower rate of return than may be achieved through a stock market based investment fund, but without the attendant risks.

The amounts and term of the investment of the reserves are based on the Trustees' opinion of the immediate and future needs of the Museum by identifying the requirements for continuing operations and setting aside sufficient funds to enable medium to long term development and expansion.

Principal Funding Sources

The Museum's main source of funds is Grants received from the Ministry of Defence, now through the NMRN. The ways in which this money can be spent have been defined in a new Service Level Agreement with the NMRN. Other funds are derived from admission charges, donations, grants, and profits from the Museum's wholly owned subsidiary, RNSM Enterprises Limited, that are given to the Trust in the form of Gift Aid. A list of donations in excess of £500 in aggregate can be found in Note 2 to the accounts. All this money supports the activities of the Museum as previously described.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government and Resources Accounts Act 2000 (Audit of Public Bodies) Order 2003.

Vice-Admiral Sir Tim McClement KCB OBE
Chairman On behalf of the Board of Trustees
30 June 2011

Professor D Tweddle
Accounting Officer of the NMRN
30 June 2011

Impact Report

Introduction

There have been two dominant areas of work in this accounting period; the HMS Alliance project and integration into the NMRN. Having secured a £3 million capital pledge from HLF in August 2009, much of the last 12 months has been spent working on the development phase which culminated with the submission of our Round Two Application in February 2011.

On 1st June 2011, Royal Navy Submarine Museum “vested” a new company. The Museum is therefore from this date a company limited by guarantee and a registered charity.

Major Achievements 2010 – 2011

- Appointment of five independent consultancies to take forward the development phase of the Alliance Project
- Submission of the HLF Round Two Application
- Creation of an Alliance Project Board
- Recruitment of the Alliance Project Manager
- Alliance Appeal Committee – raising £2.3 million in matched funding
- Successfully negotiating new Memorandum of Articles with the NMRN
- Increasing earned income
- Stabilising visitor numbers
- Increasing family learning activities
- Increasing school group visitor numbers

Governance

In November 2010 the Trustees voted unanimously to accept the jointly negotiated Memoranda of Articles which frame the legal relationship between RNSM and the NMRN. In May 2011 the new charitable company was registered with companies’ house and shortly after that a new charity number was issued by the Charity Commission.

Over the course of this accounting period two trustees have resigned (one was the Chairman) and another has retired after serving two terms. The Museum has also recruited three new Trustees and elected a new Chairman from the current complement of Trustees.

Business Performance

Visitor numbers were marginally down from last year at 44,516 (2010: 45,119), although gate income increased to £236,341 (2010: £215,580) inclusive of Gift Aid of £22,705 (2010: £15,402). This represents an average ‘income per visitor’ of £4.80 compared with £4.44 last year.

The improvement in gate income was achieved by a modest increase in ticket prices last April, but is influenced by the mix of visitors.

Grant received from the NMRN was reduced to £587,168, which represented a drop of 2.48%.

Virtual Visits

Statistical measurements and analysis went active on the new website in August 2010 and is provided by Google Analytics. From August 2010 to 23 March 2011 we have had 49,837 visits with the most heavily viewed pages being those that help visitors to plan a visit etc. For the February through to March period we had 7,947 visits of which 6,087 were new visits.

Learning and Access

- To the year end school visits have totalled 3,205, an increase on last year of over 22%
- The Education Manager has played a pivotal role on the creation of the Alliance Activity plan which is a crucial part of our Application to HLF
- The Education service has launched a number of new programs this year including one dealing with literacy.
- The Education service now employs a part-time education assistant
- A range of learning events or activities focused on families with children were put on, funded like the previous year almost entirely by external grants applied for by the Education Manager. Notable events include really excellent science themed activities that were scheduled for the summer holiday period.
- The Dad's club for fathers and their children came to an end in August 2010. This project conceived and set up by the Education Manager received widespread praise from both the partner organisation HCC and the users themselves.
- The Education Service managed the Museum's participation in the Hampshire wide "Breaking Barriers" audience development project.

Other learning activities include:

- delivering new curricular workshops e.g. a new one on literacy
- on-going delivery of schools services with bookings and groups sizes both rising
- "Dragons Den" project with local academy schools and industry
- Media project with Portsmouth university undergraduates
- Partnership on apprentice training event with VT Flagship
- Submarine familiarisation training with Abbeywood MOD staff
- Submarine familiarisation training with Dartmouth Naval College Cadets

Collection and Scholarship

The HMS Alliance Personnel Testimony project (oral history) gathered momentum during the course of the year resulting in 30 interviews with former crew members all of which have been documented and archived. These interviews have been essential in helping the curatorial team to develop the new interpretation plan for HMS Alliance.

Other curatorial activities have included:

- loaning objects to the new combined mess facilities at Faslane
- facilitating the relocation of the collections of the Historic Diving Society
- producing a display of life on board a submarine for the Kings Theatre/ Alliance Appeal Event

Partnerships

Hampshire County Council re. family learning and family support
University of Portsmouth
VT Flagship Training
Rolls Royce (Marine Division)

Future Projects

HMS *Alliance* now dominates most of the project planning however Trustees have approved a plan to move the gift shop into a new location at the heart of the Museum. The gift shop's current space will be re-used as a new education centre giving the latter service a much better location and more flexible space. With the educational service moving out of our administration building we will have ground floor room which we can convert into a corporate hire space for meetings and seminars.

Royal Navy Interface

Number of HM military service tickets sold 723.

Submarine familiarisation training delivered to up 125 Abbeywood MOD staff through a series of sessions over the year.

Data Handling Procedures

The Museum has not identified any personal data related incidents during 2010/11, nor in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if 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.

Sickness absence data

During the period under review the average number of employee sickness days amounted to 8 (2010: 9).

Vice-Admiral Sir Tim McClement KCB OBE
Chairman On behalf of the Board of Trustees
30 June 2011

Professor D Tweddle
Accounting Officer of the NMRN
30 June 2011

Remuneration Report

The Remuneration Committee of the Board of Trustees determines the Remuneration Policy of the Royal Navy Submarine Museum.

The Trustees of the Museum employ the Acting Director of the Royal Navy Submarine Museum on terms and conditions determined by a local contract, which are unrelated to Ministry of Defence equivalences.

Salary and Pension Entitlements

The Acting Director, had a basic gross salary for the year of between £40,000 – £45,000 (2010: £40,000 – £45,000) and pension contributions of £5,625 (2010: £5,419).

The Acting Director did not claim overtime or any other form of performance pay or bonus, nor did he receive any Benefits in Kind.

No Trustees received remuneration during the year (2010: £Nil). Two Trustees were reimbursed for travel and subsistence expenses totalling £1,563 (2010: two Trustees totalling £2,445). This information has been subject to audit.

Individual pension plans for entitled employees are administered by Aviva Life and Pension UK Limited under a group personal pension plan in order to save administrative charges. Like all with-profits pensions, the performance of these plans has been disappointing. The Museum does not have any long-term contingent liabilities for pensions. For 2010-11, employers' contributions for the Museum as a whole were £38,110 (2010: £40,506). Pensions excluding civil service pension payments were payable at a fixed rate of 12.5% of pensionable pay.

Pension benefits are also provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the pension increase legislation. Recent entrants to premium (after 1 October 2002) and nuvos (from 30 July 2007) may choose between membership of the scheme or joining a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the pension increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement and the employee does not have to contribute. Employers also contribute a % of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service).

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

One part time member of staff is covered by the Civil Service pension arrangements. For this year, employer's contributions of £1,759 were payable at a rate which is within the range accepted of 17.1 to 26.5 percent of pensionable pay, based on salary bands.

Vice-Admiral Sir Tim McClement KCB OBE
Chairman On behalf of the Board of Trustees
30 June 2011

Professor D Tweddle
Accounting Officer of the NMRN
30 June 2011

Statement of Trustees' and Director of the NMRN's Responsibilities for the year ended 31 March 2011

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

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

- observe any accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on 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 Board of Trustees is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Charity and which enable the Board to ensure that the financial statements comply with applicable law. The Board is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the National Museum of the Royal Navy (NMRN) also has responsibility for the propriety and regularity of expenditure from the Grant provided by the NMRN to the Museum.

Vice-Admiral Sir Tim McClement KCB OBE
Chairman On behalf of the Board of Trustees
30 June 2011

Professor D Tweddle
Accounting Officer of the NMRN
30 June 2011

Statement on Internal Control for the year ended 31 March 2011

Scope of responsibility

As Chairman of the Board of Trustees of the Royal Navy Submarine Museum, I am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks, to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

As Director General of the NMRN, I have responsibility for ensuring a sound system of internal control that supports the achievement of the Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The annual budget proposals for the Royal Navy Submarine Museum are presented by the Director General to the NMRN Finance and Development committee, final approval for the proposed budgets is sought from the NMRM Board. The Chairman of Trustees for the Museum is a member of the NMRN board.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Royal Navy Submarine Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Royal Navy Submarine Museum for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A comprehensive Risk Register is in use, which identifies the risks relevant to the successful continuation of the Museum's current operations and its future development. Risk Management is an integral part of the Museum's corporate planning, with the risk of failure and severity of failure being applied to key activities.

The Risk Register covers all the key areas of work undertaken by the Museum e.g. collecting objects and making historic submarines accessible to the visiting public. The register identifies the staff members responsible for each area and strategies in place to manage specific risks. The general risk register is reviewed twice a year by Trustees. The Museum's three year business plan which was approved by Trustees in this accounting period is also a key tool for managing risk.

The Museum also has an additional framework for managing risk specific to the HMS Alliance Capital project. A project board and project manager were recruited in this accounting period to address the risk that the project was inadequately resourced in terms of project design and control.

The risk and control framework

The management of risk is exercised through the Museum's Senior Management Team who review on a regular basis the Museum's principal activities and events, with associated risks. The Board of Trustees and its Finance Committee receive periodic reports on the main risks and the steps being taken to manage them effectively.

For the HMS Alliance Project risk management is the responsibility of the Project Board the Chairman who is also a Trustee and reports back to the full board of Trustees.

An annual audit of risk management is also provided by the Defence Internal Audit team who focus their audits on areas which they think require scrutiny. In this accounting period the DIA made recommendations in relation to the following:

- Completion of the three year business plan
- Management of the general risk register in relation to the NMRN
- Produce an integrated policy and procedures document
- Alignment of the income generation strategy with the NMRN.

Personal data related incidents

The Museum has not identified any personal data related incidents during this year or the previous five years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if 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.

Review of effectiveness

As Accounting Officer of the NMRN and Chair of Trustees we respectively have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the internal audit function, and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Museum's Finance Committee provides in part an auditing function in respect to the income and expenditure of the Museum. The Finance Committee is made up primarily of Trustees and meets on a quarterly basis. The Committee reviews the Museum's income and expenditure and is also responsible for reviewing the proposed 12 month budgets and the revision of the budget at the half year point. The Chair of the Finance committee reports directly to the Chairman of the Trust. The annual Budget and its revision are all approved by the Trustees at their quarterly meetings.

The Acting Director and Administrator report to the Finance Committee and are responsible for producing budgets and management accounts.

The Museum also produces on a monthly basis accounts and cash flow analysis which are sent to the NMRN. The NMRN produces on a monthly basis a performance summary for all the Museums within the NMRN group: a group forecast is produced on a quarterly basis.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the Royal Navy Submarine Museum's system of internal control in accordance with Treasury guidance and recommendations.

Vice-Admiral Sir Tim McClement KCB OBE
Chairman On behalf of the Board of Trustees
30 June 2011

Professor D Tweddle
Accounting Officer of the NMRN
30 June 2011

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the consolidated financial statements of the Royal Navy Submarine Museum for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the 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 Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Director and auditor

As explained more fully in the Statement of the Trustees' and Director's Responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions 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 Royal Navy Submarine Museum's and the group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and directions issued thereunder by the Secretary of State for Defence.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Charities Act 1993; and
- the information given in the Trustees' 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

8 July 2011

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

Consolidated Statement of Financial Activities for the year ended 31 March 2011

	Notes	Unrestricted funds £	NMRN Grant £	Other restricted funds £	2011 Total £	Restated (see note 1.9) 2010 Total £
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
NMRN Grant (operating)	2	–	562,144	–	562,144	579,959
NMRN Grant (purchase of exhibits)	2	–	25,024	–	25,024	21,975
Other grants and donations	2	4,312	–	1,000,529	1,004,841	288,111
Legacies	2	11,794	–	–	11,794	5,000
Activities for generating funds	3	10,869	–	68,223	79,092	14,735
Income of trading subsidiary	4	88,350	–	–	88,350	89,794
Income from investments	5	1,807	–	1,840	3,647	2,918
Incoming resources from charitable activities:						
Admissions inc. gift aid		236,341	–	–	236,341	215,580
Other incoming resources	6	992	–	–	992	3,945
Total incoming resources		354,465	587,168	1,070,592	2,012,225	1,222,017
Resources expended						
Costs of generating funds	7	–	(53,484)	(59,086)	(112,570)	(88,238)
Expenses of trading subsidiary	4	(85,602)	–	–	(85,602)	(88,244)
Costs of activities in furtherance of the objects of the charity	8	(224,537)	(483,886)	(392,056)	(1,100,479)	(996,115)
Governance costs	9	–	(44,111)	–	(44,111)	(40,569)
Total resources expended	11	(310,139)	(581,481)	(451,142)	(1,342,762)	(1,213,166)
Net incoming resources before transfers						
		44,326	5,687	619,450	669,463	8,851
Loss on disposal	14	–	(4,828)	(900)	(5,728)	(69,752)
Transfers	13	2,472	(2,472)	–	–	–
Net incoming/(outgoing) resources		46,798	(1,613)	618,550	663,735	(60,901)
Other recognised gains/(losses)						
Unrealised losses:						
Revaluation of fixed assets	14	(28,348)	(140,591)	(498,221)	(667,160)	(290,234)
Revaluation of investments	15	–	–	(2,680)	(2,680)	8,520
Net movement in funds		18,450	(142,204)	117,649	(6,105)	(342,615)
Total funds brought forward		494,613	1,061,224	3,997,106	5,552,943	5,895,558
Total funds carried forward		513,063	919,020	4,114,755	5,546,838	5,552,943

All recognised gains and losses are included in the statement of financial activities

All transactions are derived from continuing activities

The notes on pages 21 to 38 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Fixed Assets					
Tangible assets	14		3,952,728		4,766,697
Heritage assets	14		113,174		91,913
Total tangible fixed assets	14		4,065,902		4,858,610
Investments	15		23,020		25,700
Total Fixed Assets			4,088,922		4,884,310
Current assets					
Stocks	16	23,565		35,200	
Debtors	17	28,283		11,094	
Cash at bank and in hand	18	1,462,906		714,347	
		1,514,754		760,641	
Creditors: amounts falling due within one year	19	(56,838)		(92,008)	
Net current assets			1,457,916		668,633
Total assets less current liabilities			5,546,838		5,552,943
Net assets			5,546,838		5,552,943
Funds					
Unrestricted funds			481,682		460,780
Restricted funds:	20				
NMRN Grant (operating)			775,269		941,938
NMRN Grant (purchase of exhibits)			143,751		119,286
Other restricted funds			4,114,755		3,997,106
Non charitable trading funds			31,381		33,833
	21		5,546,838		5,552,943

The financial statements were approved by the Trustees on 30 June 2011 and signed on its behalf by

Vice-Admiral Sir Tim McClement KCB OBE
on behalf of the board of Trustees

Professor D Tweddle
Accounting Officer of the NMRN

The notes on pages 21 to 38 form an integral part of these financial statements.

Balance Sheet – Charity as at 31 March 2011

	Notes	2011 £	2011 £	2010 £	2010 £
Fixed Assets					
Tangible assets	14		3,951,916		4,765,387
Heritage assets	14		113,174		91,913
Total tangible fixed assets	14		4,065,090		4,857,300
Investments	15		23,022		25,702
Total Fixed Assets			4,088,112		4,883,002
Current assets					
Stocks	16	3,469		3,372	
Debtors	17	27,208		8,824	
Cash at bank and in hand	18	1,446,939		708,375	
		1,477,616		720,571	
Creditors: amounts falling due within one year	19	(50,271)		(84,463)	
Net current assets			1,427,345		636,108
Total assets less current liabilities			5,515,457		5,519,110
Net assets			5,515,457		5,519,110
Funds					
Unrestricted funds			481,682		460,780
Restricted funds:	20				
NMRN Grant (operating)			775,269		941,938
NMRN Grant (purchase of exhibits)			143,751		119,286
Other restricted funds			4,114,755		3,997,106
	21		5,515,457		5,519,110

The financial statements were approved by the Trustees on 30 June 2011 and signed on its behalf by

Vice-Admiral Sir Tim McClement KCB OBE
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Professor D Tweddle
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The notes on pages 21 to 38 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 March 2011

	Unrestricted funds	NMRN Grant	Other restricted	Group 2011	Group 2010
	£	£	£	£	£
Net cashflow inflow from operating activities	25,249	35,661	725,059	785,969	91,142
Return on investments and servicing of finance					
Bank interest received	1,807	–	1,280	3,087	2,427
Dividends received	–	–	560	560	509
Capital expenditure and financial investment					
Purchase of fixed assets	–	(32,457)	(8,600)	(41,057)	(19,454)
Sale of fixed assets	–				3,044
Transfers	–	–	–	–	–
Increase/(decrease) in cash	27,056	3,204	718,299	748,559	77,668
Opening cash balances	372,549	27,373	314,425	714,347	636,679
Closing cash balances	399,605	30,577	1,032,724	1,462,906	714,347
Reconciliation of changes in resources to net cashflow from operating activities					
Net incoming/(outgoing) resources for the year	46,798	(1,613)	618,550	663,735	(60,902)
Depreciation	5,177	32,446	123,254	160,877	184,691
Investment income and interest received	(1,807)	–	(1,840)	(3,647)	(2,936)
Loss on disposal	–	4,828	900	5,728	69,753
(Increase)/decrease in stocks	11,635	–	–	11,635	8,441
(Increase) in debtors	(17,189)	–	–	(17,189)	(4,210)
(Decrease) in creditors	(19,365)	–	(15,805)	(35,170)	(103,695)
Net cash inflow from operating activities	25,249	35,661	725,059	785,969	91,142

The notes on pages 21 to 38 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2011

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, the *Statement of Recommended Practice: Accounting by Charities* issued in 2005 and guidance issued by HM Treasury.

The financial statements are prepared under the historical cost convention modified to include fixed assets at their value to the business by reference to current costs.

Consolidated financial statements have been prepared in respect of the charitable trust and its wholly owned subsidiary. The Consolidated Statement of Financial Activities includes the results of the subsidiary on a line by line basis. The consolidated balance sheet includes the net assets of the subsidiary.

1.2 Incoming resources

Voluntary income and donations are accounted for as received by the charity. No permanent endowments have been received in the year.

Income from investments is included in the year in which it is receivable.

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

The charity is in receipt of a gift in kind for rent payable from the Ministry of Defence due to the free occupation of the buildings used by the charity. No reliable estimate of such gift in kind is readily available.

1.3 Land and buildings

Land and buildings are stated at a valuation of depreciated replacement cost and depreciated over the lease term. A professional valuation is obtained at least every five years and indices are used to reflect the change in value in the intervening years.

1.4 Fixtures, fittings and equipment

Fixtures, fittings and equipment with a cost or value greater than £500 and a useful life exceeding one year are capitalised at historical cost and revalued annually using Ministry of Defence derived indices. Fixtures, fittings and equipment are depreciated over their expected useful lives of ten years, other than those in the Fieldhouse Building which have expected useful lives of 25 years.

1.5 Plant and machinery

Plant and machinery with a cost or value greater than £500 and a useful life exceeding one year is capitalised at historical cost and revalued annually using Ministry of Defence derived indices. The vast majority of plant and machinery, which are situated in the Fieldhouse Building, are depreciated over their expected useful lives of 25 years, with the remainder depreciated over four years.

1.6 Basis of allocation

Cost of generating funds comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Royal Navy Submarine Museum as a visitor attraction.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Charitable expenditure includes expenditure associated with Education, Care of Exhibition, Visitor Services and Grant Making and include costs directly attributable to each activity. Costs not directly attributable to one activity including the proportion of support costs relating to charitable expenditure have been allocated in proportion to staff costs incurred.

Support costs include central functions and have been allocated to cost categories on a basis consistent with the use of resources or the floor space occupied, as applicable.

1.7 Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.8 Funds

Restricted funds are to be used for specified purposes as laid down by the donor, or the terms of the specific appeal. Expenditure which meets these criteria is allocated to the fund, together with a fair proportion of overheads and support costs.

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

1.9 Cost of capital (notional charges)

Following changes to the 2010-2011 Financial Reporting Manual, cost of capital charges are no longer required to be calculated and disclosed within the Statement of Financial Activities. The 2009 – 2010 SOFA has been restated to exclude these charges.

1.10 Leased assets

Rentals applicable to operating leases are charged to the Statement of Financial Activities as incurred.

1.11 Investments

Investments are revalued at the market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

1.12 Stocks

Stocks are valued at the lower of cost, (or at net current replacement cost, if materially different), and net realisable value after making due allowance for obsolescence and slow moving items.

1.13 Heritage assets

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to their historic nature, covering the history of the Royal Navy Submarine Service.

Additions to the collection with a cost in excess of £500, are capitalised. In accordance with Financial Reporting Standard Number 30, FRS30 Heritage Assets, these assets are not re-valued or depreciated. Items donated to the collection are not included as additions as it is difficult and costly to attribute a cost or valuation to these items.

1.14 Pensions

The pension cost charge represents contributions payable to a group personal pension plan scheme and the Principal Civil Service Pension Scheme during the accounting period. The latter scheme provides benefits based on final pensionable pay but no liability arises under either scheme other than for the payment of those contributions.

1.15 Financial instruments

The museum's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade debtors, trade creditors and accrued expenses. The fair value of these items approximates to their carrying value due to the short term nature. Unless otherwise noted, the museum is not exposed to significant interest, foreign exchange or credit risks arising from these instruments. Term deposits of less than one year are classified as investments within current assets.

2 Grants and donations

During the year the following grants and donations were received:

Grants received from Ministry of Defence:

	Unrestricted funds	Other NMRN Grant	Restricted Funds	2011	2010
	£	£	£	£	£
Operating		562,144	-	562,144	579,959
Purchases		25,024	-	25,024	21,975
	-	587,168	-	587,168	601,934
Other grants and donations:					
Legacy income					
Matthews	-	-	-	-	5,000
Salt legacy income	2,000	-	-	2,000	-
Clisby legacy income	3,000	-	-	3,000	-
Haydon White legacy income	6,794	-	-	6,794	-
Donations and grants income					
Society of Friends	-	-	32,500	32,500	15,050
Education Project	-	-	-	-	6,065
Ham Polo Club	-	-	-	-	10,000
Michael Uren Foundation	-	-	612,500	612,500	-
Lady Cobham	-	-	25,000	25,000	-
David Webster Foundation	-	-	10,000	10,000	-
29th May 1961 Trust	-	-	10,000	10,000	-
Royal Navy & Royal Marines Charity	-	-	7,500	7,500	-
Rothermere Foundation	-	-	10,000	10,000	-
Raising Charitable Trust	-	-	-	-	250,000
NHMF Lottery Funding	-	-	143,730	143,730	-
Industry	-	-	90,750	90,750	-
Gift aid reclaimed	-	-	6,230	6,230	-
Miscellaneous	4,312	-	52,319	56,631	6,996
	16,106	-	1,000,529	1,016,635	293,111

Included within other restricted funds are Donations received for the Alliance appeal totalling £991,759.

3 Activities for generating funds

	2011	2010
	£	£
Café rent	4,017	4,005
Guidebook	6,852	10,730
Middle temple	340	–
BT Tower Dinner	6,667	–
Conqueror Talk	5,958	–
Victory Gun Deck Dinner	45,386	–
SMI Dinner – Trinity House	3,000	–
SOF AGM Raffle	1,330	–
Jazz Night – Meon (S.O.F)	5,542	–
	<u>79,092</u>	<u>14,735</u>

Included in activities for generating funds are amounts received for the Alliance totalling £68,223.

4 Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary, which is incorporated in the United Kingdom. RNSM Enterprises Limited operates a souvenir shop within the Museum and operates the Corporate Hospitality function. The company transfers its taxable profits to the Royal Navy Submarine Museum by way of Gift Aid. A summary of its trading results is shown below. Audited accounts have been filed with Registrar of Companies.

Profit and Loss Account	2011	2010
Year ended 31 March 2011	£	£
Turnover	88,346	89,776
Interest receivable	4	18
Total income	<u>88,350</u>	<u>89,794</u>
Expenditure:		
Cost of sales	(47,291)	(50,779)
Overheads	(38,311)	(37,465)
	<u>(85,602)</u>	<u>(88,244)</u>
Other inter group payments:		
Operating charge	(2,650)	(2,693)
Secretarial services	(2,550)	(2,500)
Gift aid donation	–	–
	<u>(5,200)</u>	<u>(5,193)</u>
Retained in subsidiary	<u>(2,452)</u>	<u>(3,643)</u>
Capital and reserves	<u>31,381</u>	<u>33,833</u>

RNSM Enterprises Limited has an issued share capital of 2 ordinary shares of £1 each.

Related party transactions

The charges above in "other inter group payments" are related party transactions.

5 Income from investments

	Unrestricted funds	Restricted Other funds	2011	2010
	£	£	£	£
Dividends received	–	560	560	509
Interest received	1,807	1,280	3,087	2,409
	<u>1,807</u>	<u>1,840</u>	<u>3,647</u>	<u>2,918</u>

6 Other incoming resources

	Unrestricted funds	Restricted Other funds	2011	2010
	£	£	£	£
Sundry income	992	–	992	3,945
	<u>992</u>	<u>–</u>	<u>992</u>	<u>3,945</u>

7 Cost of generating funds

	2011	2010
	£	£
Rent and rates	356	364
Insurance	1,472	1,312
Light and heat	1,632	1,716
Publicity and public relations	45,739	75,885
Printing, postage and stationery	492	468
Telephone	290	347
Event costs	19,146	–
Guidebooks	3,503	8,146
Appeal costs	35,160	–
IT	4,780	–
	<u>112,570</u>	<u>88,238</u>

8 Costs of activities in furtherance of the objects of the charity

	Note	Education £	Alliance and care of exhibitions £	Visitor services £	Grant making £	2011 £	2010 £
Staff costs	12	40,125	126,695	211,330	-	378,150	348,526
Grants		-	-	-	1,000	1,000	2,000
Education		6,580	-	-	-	6,580	9,670
Purchase of exhibits		-	559	-	-	559	255
Exhibit maintenance		-	225,418	-	-	225,418	38,933
Consultancy – Alliance		-	-	-	-	-	1,333
Archives		-	3,852	-	-	3,852	22,713
Functions and visitors		-	-	3,850	-	3,850	2,994
Depreciation		11,217	63,234	84,928	-	160,379	184,174
Support costs	10	35,276	118,656	166,759	-	320,691	349,909
Appeal costs		-	-	-	-	-	35,658
		93,198	539,414	466,867	1,000	1,100,479	996,125

9 Governance costs

	Note	2011 £	2010 £
Staff costs	12	4,849	5,747
Accountancy		8,250	6,726
Audit		10,750 0	7,85
Travelling		5,013	5,450
Support costs	10	15,249	14,796
		44,111	40,569

10 Support costs

	Note	Museum & visitor centre operations	Governance costs	2011	2010
		£	£	£	£
Staff costs	12	176,390	–	176,390	187,302
Training		65	–	65	3,795
Health and safety		8,144	–	8,144	2,356
Rent and rates		6,048	712	6,760	6,914
Insurance		20,609	7,360	27,969	24,932
Light and heat		27,744	3,264	31,008	32,608
Cleaning and sundry		3,315	–	3,315	2,675
Repairs and renewals		31,445	–	31,445	69,890
Printing, postage and stationery		10,940	2,462	13,402	9,302
Telephone		4,064	1,451	5,515	6,588
Bank charges		5,227	–	5,227	4,369
Legal and professional		12,351	–	12,351	6,164
Subscriptions		2,492	–	2,492	2,246
Website		5,425	–	5,425	–
Equipment rentals		6,432	–	6,432	5,564
		320,691	15,249	335,940	364,705

11. Total resources expended

	Staff costs	Other costs	Depreciation	2011	2010
	£	£	£	£	£
Costs of activities in furtherance of the objects of the charity	554,540	385,560	160,379	1,100,479	996,115
Costs of generating funds	–	112,570	–	112,570	88,238
Governance costs	4,849	39,262	–	44,111	40,569
Total – charity	559,389	537,392	160,379	1,257,160	1,124,922
Trading subsidiary	25,078	60,026	498	85,602	88,244
Total – group	584,467	597,418	160,877	1,342,762	1,213,166

12 Staff costs

	Note 8	Note 9	Note 10	2011	2010
	£	£	£	£	£
Wages and salaries	317,004	4,849	159,812	481,665	462,464
Social security costs	23,036	–	16,578	39,614	38,605
Pension costs	38,110	–	–	38,110	40,506
Total – Charity	378,150	4,849	176,390	559,389	541,575
Trading Subsidiary				25,078	24,439
Total – Group				584,467	566,014

No staff member earns more than £60,000 per annum, excluding pension contributions.

The average number of employees, analysed by function, was:

	2011	2010
Education	1	1
Care of collections	3	4
Visitor services	6	7
Support	10	9
Total	20	21

13 Transfers between funds

A total of £2,472 was transferred to (2010: £74,203 from) unrestricted funds to the development fund and the NMRN restricted grant funds to cover future planned expenditure and to reflect that the NMRN grant has been spent in full and that the fund values are represented by the net book value of assets attributable to those funds.

14 Tangible fixed assets

Charity	Land and buildings	Plant and machinery	Fixtures fittings and equipment	Heritage assets	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2010	4,098,559	564,308	836,793	91,913	5,591,573
Additions	–	517	19,279	21,261	41,057
Disposals	–	(2,369)	(12,859)	–	(15,228)
Revaluation	(778,266)	21,463	30,427	–	(726,376)
At 31 March 2011	<u>3,320,293</u>	<u>583,919</u>	<u>873,640</u>	<u>113,174</u>	<u>4,891,026</u>
Depreciation					
At 1 April 2010	370,397	125,391	238,485	–	734,273
Charge for the year	97,481	24,065	38,833	–	160,379
Disposals	–	(2,370)	(7,130)	–	(9,500)
Revaluation	(70,679)	4,604	6,859	–	(59,216)
At 31 March 2011	<u>397,199</u>	<u>151,690</u>	<u>277,047</u>	<u>–</u>	<u>825,936</u>
Net book values					
At 31 March 2011	<u>2,923,094</u>	<u>432,229</u>	<u>596,593</u>	<u>113,174</u>	<u>4,065,090</u>
At 31 March 2010	<u>3,728,162</u>	<u>438,917</u>	<u>598,308</u>	<u>91,913</u>	<u>4,857,300</u>
Group					
	Land and buildings	Plant and machinery	Fixtures fittings and equipment	Heritage assets	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2010	4,098,559	564,308	848,642	91,913	5,603,422
Additions	–	517	19,279	21,261	41,057
Disposals	–	(2,369)	(12,859)	–	(15,228)
Revaluation	(778,266)	21,463	30,427	–	(726,376)
At 31 March 2011	<u>3,320,293</u>	<u>583,919</u>	<u>885,489</u>	<u>113,174</u>	<u>4,902,875</u>
Depreciation					
At 1 April 2010	370,397	125,391	249,024	–	744,812
Charge for the year	97,481	24,065	39,331	–	160,877
Disposals	–	(2,370)	(7,130)	–	(9,500)
Revaluation	(70,679)	4,604	6,859	–	(59,216)
At 31 March 2011	<u>397,199</u>	<u>151,690</u>	<u>288,084</u>	<u>–</u>	<u>836,973</u>
Net book values					
At 31 March 2011	<u>2,923,094</u>	<u>432,229</u>	<u>597,405</u>	<u>113,174</u>	<u>4,065,902</u>
At 31 March 2010	<u>3,728,162</u>	<u>438,917</u>	<u>599,618</u>	<u>91,913</u>	<u>4,858,610</u>

Land and buildings were valued as at 31 March 2007 on the basis of depreciated replacement cost. This valuation was undertaken by D J H Reddy FRICS MCI Arb of Messrs. Hellier Langston. Each year indices are applied to the brought forward valuations of assets to reflect the annual change in values.

*RNSM Heritage Assets***Introduction**

The Royal Navy Submarine Museum holds in trust artefacts comprising its collection. Historically the main reserve collections have not been included in the financial statements due to their historic and inalienable nature. However after 1 April 2000, heritage assets accessioned into the collection with a cost in excess of £500 have been capitalised. In accordance with guidance issued by HM Treasury these assets are not re-valued or depreciated.

In accordance with Financial Reporting Standard Number 30, FRS30: Heritage assets, the Museum has included its heritage assets in the balance sheet where possible. However, where the Museum believes those heritage assets which to obtain a valuation would not be cost effective and too onerous for the charity, they have been included as enhanced disclosure in the table below and not included in the balance sheet.

The Collection

The collection consists of artefacts, physical, written and oral reflecting the history of the Royal Navy Submarine Service since its inception:

By categories, numbers held are:

Type of item	2011		2010		2009
	Quantity c/fwd	Additions	Quantity c/fwd	Additions	Quantity b/fwd
Large objects including submarines	35		35		35
Fine Art	496		496		496
Models	297		297		297
Uniform & Clothing	70	1	69		69
Flags & Miscellaneous textiles	262	1	261	1	260
Small Arms & Edged weapons	47		47		47
Archive Deposits	21,589	1	21,588	2	21,586
Photographs	60,000		60,000		60,000
Engineering components	40		40	1	39
Ships ID/hardware	585	1	584		584
Orders & Decorations	164	3	161	1	160
Small objects	565	2	563	2	561
Trophies/keepsakes	244	2	242		242
Projectiles/ammunition	18		18		18
Safety & Survival Equipment	8	1	7		7
Film & Sound Recordings	370		370		370
Total	<u>84,790</u>	<u>12</u>	<u>84,778</u>	<u>7</u>	<u>84,771</u>

Criteria governing future collecting policy, including the subjects or themes for collecting

Key collecting areas are as follows:

- Every aspect of the RN Submarine Service from 1901 to the present day
- The development of submarine technology in the UK from earliest times to the present day. This includes submersible operations in the North Sea and also technology used for research (e.g. ocean research vessels, RoVs, diving bells).
- Material relating to submarine technical development from around the world for the purpose of representing the wider context to development in the UK.

- d. Material relating to submarine warfare from around the world (e.g. we have a collection of models of soviet submarines and naval ephemera because of their significance to British submarine operations during the Cold War).
- e. Due to the nature of RNSM's activities, the Museum may occasionally acquire certain items, which are not intended to be retained for the permanent collections. These items may be used as educational or school handling collections, or as spares or consumable working parts. In the case of such material, documentation will clearly show the intended use of the object and donors will be made aware of this possibility at the time of entry and informed as soon as a decision has been made regarding the material.
- f. These objects will be recorded separately outside the main accession record and shall not be treated as part of the permanent collection since their intended use implies that preservation cannot be guaranteed.

Period of time and/or geographical area to which collecting relates

In general the RNSM is only concerned with submarine material in the context of the Royal Navy or British maritime achievement from 1901 to the present day. However from time to time it may be deemed appropriate to acquire items with a provenance other than that described above in order to illustrate a particularly important aspect of submarine development in general. See notes under number 2.

Limitations on collecting

RNSM recognises its responsibility, in acquiring additions to its collections, to ensure that care of the collections, documentation arrangements and use of collections will meet the requirements of the Accreditation Standard. It will take into account limitations on collecting imposed by such factors as inadequate staffing, storage and conservation resources.

Collecting Policies of Other Museums

RNSM will take due account of the collecting policies of other museums collecting in the same or related areas or subject fields and will consult with such organisations where conflicts of interest may arise or to define areas of specialism in order to avoid unnecessary duplication and waste of resources.

Specific reference is made to the following museums:

- | | |
|--------------------------------------------|------------------------------|
| The Royal Naval Museum | The Imperial War Museum |
| The Royal Marines Museum | The National Maritime Museum |
| The Fleet Air Arm Museum | Aberdeen Maritime Museum |
| Explosion! – The Museum of Naval Firepower | Chatham Historic Dockyard |

All the participant museums in the UK Maritime Collecting Strategy

Policy Review Procedure

The Acquisition and Disposal Policy will be published as part of the Collections Management Plan and will be revised from time to time, but at least once every five years. The date when the policy is next due for review is noted above.

MLA will be notified of any changes to the Acquisition & Disposal Policy, and the implications of any such changes for the future of existing collections.

Acquisitions not covered by the policy

Acquisitions outside the current stated policy will only be made in very exceptional circumstances, and then only after proper consideration by the governing body of the museum itself, having regard to the interests of other museums.

Acquisition procedures

- a. The museum will exercise due diligence and make every effort not to acquire, whether by purchase, gift, bequest or exchange, any object or specimen unless the governing body or responsible officer is satisfied that the museum can acquire a valid title to the item in question.
- b. In particular, the museum will not acquire any object or specimen unless it is satisfied that the object or specimen has not been acquired in, or exported from, its country of origin (or any intermediate country in which it may have been legally owned) in violation of that country's laws. (For the purposes of this paragraph 'country of origin' includes the United Kingdom).
- c. In accordance with the provisions of the UNESCO 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property, which the UK ratified with effect from November 1 2002, and the Dealing in Cultural Objects (Offences) Act 2003, the museum will reject any items that have been illicitly traded. The governing body will be guided by the national guidance on the responsible acquisition of cultural property issued by DCMS in 2005.
- d. So far as biological and geological material is concerned, the museum will not acquire by any direct or indirect means any specimen that has been collected, sold or otherwise transferred in contravention of any national or international wildlife protection or natural history conservation law or treaty of the United Kingdom or any other country, except with the express consent of an appropriate outside authority.
- e. The museum will not acquire archaeological antiquities (including excavated ceramics) in any case where the governing body or responsible officer has any suspicion that the circumstances of their recovery involved a failure to follow the appropriate legal procedures, such as reporting finds to the landowner or occupier of the land and to the proper authorities in the case of possible treasure as defined by the Treasure Act 1996 (in England, Northern Ireland and Wales) or reporting finds through the Treasure Trove procedure (in Scotland).
- f. Any exceptions to the above clauses 8a, 8b, 8c, or 8e will only be because the museum is either:
 - acting as an externally approved repository of last resort for material of local (UK) origin; or
 - acquiring an item of minor importance that lacks secure ownership history but in the best judgement of experts in the field concerned has not been illicitly traded; or
 - acting with the permission of authorities with the requisite jurisdiction in the country of origin; or
 - in possession of reliable documentary evidence that the item was exported from its country of origin before 1970.

In these cases the museum will be open and transparent in the way it makes decisions and will act only with the express consent of an appropriate outside authority.

Spoliation

The museum will use 'Spoliation of Works of Art during the Holocaust and World War II period: Statement of Principles and Proposed Actions', issued by the National Museum Directors' Conference in 1998, and report on them in accordance with the guidelines.

Repatriation and Restitution

The museum's governing body, acting on the advice of the museum's professional staff, if any, may take a decision to return human remains, objects or specimens to a country or people of origin. The museum will take such decisions on a case by case basis, within its legal position and taking into account all ethical implications.

Management of archives

As the museum holds archives, including photographs and printed ephemera, its governing body will be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom (3rd ed., 2002).

Disposal procedures

- a. By definition, the museum has a long-term purpose and should possess (or intend to acquire) permanent collections in relation to its stated objectives. The governing body accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the museum's collection.
- b. The museum will establish that it is legally free to dispose of an item. Any decision to dispose of material from the collections will be taken only after due consideration.
- c. When disposal of a museum object is being considered, the museum will establish if it was acquired with the aid of an external funding organisation. In such cases, any conditions attached to the original grant will be followed. This may include repayment of the original grant.
- d. Decisions to dispose of items will not be made with the principal aim of generating funds.
- e. Any monies received by the museum governing body from the disposal of items will be applied for the benefit of the collections. This normally means the purchase of further acquisitions but in exceptional cases improvements relating to the care of collections may be justifiable. Advice on these cases will be sought from MLA.
- f. A decision to dispose of a specimen or object, whether by gift, exchange, sale or destruction (in the case of an item too badly damaged or deteriorated to be of any use for the purposes of the collections), will be the responsibility of the governing body of the museum acting on the advice of professional curatorial staff, if any, and not of the curator of the collection acting alone.
- g. Once a decision to dispose of material in the collection has been taken, priority will be given to retaining it within the public domain, unless it is to be destroyed. It will therefore be offered in the first instance, by gift, exchange or sale, directly to other Accredited Museums likely to be interested in its acquisition.
- h. If the material is not acquired by any Accredited Museums to which it was offered directly, then the museum community at large will be advised of the intention to dispose of the material, normally through an announcement in the Museums Association's Museums Journal, and in other professional journals where appropriate.
- i. The announcement will indicate the number and nature of specimens or objects involved, and the basis on which the material will be transferred to another institution. Preference will be given to expressions of interest from other Accredited Museums. A period of at least two months will be allowed for an interest in acquiring the material to be expressed. At the end of this period, if no expressions of interest have been received, the museum may consider disposing of the material to other interested individuals and organisations.
- j. Full records will be kept of all decisions on disposals and the items involved and proper arrangements made for the preservation and/or transfer, as appropriate, of the documentation relating to the items concerned, including photographic records where practicable in accordance with SPECTRUM Procedure on deaccession and disposal.

15 Investments

	Charity		Group	
	Listed £	Unlisted £	Listed £	Unlisted £
Market value or cost at 1 April 2010	25,700	2	25,700	–
Net unrealised gains / (losses)	(2,680)	–	(2,680)	–
Market value or cost at 31 March 2011	23,020	2	23,020	–
Historical cost at 31 March 2011	11,230	2	11,230	–
Market value or cost at 31 March 2010	25,700	2	25,700	–
Historical cost at 31 March 2010	11,230	2	11,230	–

All listed investments are listed on the United Kingdom Stock Exchange. All investment income is generated from listed investments. All listed investments were donated to the Museum in 2002.

Unlisted investments represents 100% of the issued share capital of RNSM Enterprises Limited.

16 Stocks

	2011		2010	
	Charity £	Group £	Charity £	Group £

The amounts attributable to the different categories are as follows:

Goods for resale	3,469	23,565	3,372	35,200
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17 Debtors

	2011		2010	
	Charity £	Group £	Charity £	Group £

Amounts due within 1 year:

Social security & other taxes	10,927	10,927	4,302	4,302
Prepayments and accrued income	16,158	17,356	4,325	6,792
Amounts owed by RNSM Enterprises Ltd	123	–	197	–
	27,208	28,283	8,824	11,094

18 Cash at bank and in hand

	2011	2010
	£	£
Unrestricted funds	383,638	366,577
Centennial fund	12,578	11,810
Development fund	69,157	33,730
Alliance fund	939,969	248,235
Other restricted funds	11,020	20,650
Non-public funds	1,416,362	681,002
Public funds	30,577	27,373
Cash at bank and in hand – charity	1,446,939	708,375
Trading Subsidiary	15,967	5,972
Cash at bank and in hand – group	1,462,906	714,347

19 Creditors: amounts falling due within one year

	2011		2010	
	Charity	Group	Charity	Group
	£	£	£	£
Trade creditors	12,574	12,864	8,016	8,016
Other taxes and social security	12,294	13,751	10,103	11,284
Other creditors	–	–	–	6,364
Accruals	25,403	30,223	66,344	66,344
	50,271	56,838	84,463	92,008

20 Restricted funds – Charity

	1 April 2010	Incoming	Outgoing	Gains/ (losses)	Transfers	31 March 2011
	£	£	£	£	£	£
NMRN Grant (operating)	941,938	562,144	(585,750)	(140,591)	(2,472)	775,269
NMRN Grant (purchases)	119,286	25,024	(559)	–	–	143,751
Centennial Project	101,758	830	(1,774)	(15,528)	–	85,286
Development Fund	3,677,693	–	(120,728)	(485,789)	–	3,071,176
Alliance fund	205,675	1,061,262	(325,905)	169	–	941,201
Medal Collection Fund	5,000	–	–	–	–	5,000
School Buses Fund	1,500	–	–	–	–	1,500
Education Fund	2,600	1,000	(2,960)	–	–	640
Reception Fund	2,680	–	–	–	–	2,680
E17's Conning Tower	200	–	–	–	–	200
HMS Osprey Dolphins	–	1,000	–	–	–	1,000
Interactive Displays	–	6,500	(675)	247	–	6,072
Total	5,058,330	1,657,760	(1,038,351)	(641,492)	(2,472)	5,033,775

The NMRN Grant (Operating) Fund consists of funding received from the NMRN as a contribution towards operating costs.

The NMRN Grant (Purchases) Fund consists of funding received from the NMRN for purchasing exhibits.

The Centennial Project Fund was created to mark the anniversary of *Holland I* and is to be used for improving buildings on the Museum site.

The Development Fund consists of funding received for the improvement and construction of buildings housing exhibits.

The Alliance Fund is specifically for the refurbishment of *HMS Alliance*.

The Medal Collection Fund is for improving displays of medals.

The School Buses Fund is for transporting children from local schools to the Museum.

The Education Fund is for education workshops held at the Museum.

The Reception fund is to upgrade the reception areas and signage.

The E17's Conning Tower fund is for the ongoing conservation of the LR3 Submersible.

The *HMS Osprey* Dolphins fund is for the refurbishment of the Bronze Osprey Dolphins.

The Interactive Displays fund is for replacement displays held in the Fieldhouse Building.

21 Analysis of net assets between funds

	Tangible fixed assets	Investments	Net current assets	31 March 2011 Total	31 March 2010 Total
	£	£		£	£
Restricted Funds:					
Grant (operating)	775,269	-	-	775,269	941,938
Grant (purchases)	113,174	-	30,577	143,751	119,286
Centennial Fund	49,688	23,020	12,578	85,286	101,758
Development Fund	3,002,020	-	69,156	3,071,176	3,677,693
Alliance Fund	1,232	-	939,969	941,201	205,675
Other funds	6,072	-	11,020	17,092	11,980
	3,947,455	23,020	1,063,300	5,033,775	5,058,330
Unrestricted funds – Charity	117,635	2	364,045	481,682	460,780
	4,065,090	23,022	1,427,345	5,515,457	5,519,110
Non charitable trading funds	812	(2)	30,571	31,381	33,833
Total net assets – Group	4,065,902	23,020	1,457,916	5,546,838	5,552,943

22 Capital commitments and contingent liabilities

The charity had capital commitments contracted but not provided for in the financial statements amounting to £Nil (2010: £72,876). The charity had no contingent liabilities at 31 March 2011 or 31 March 2010.

23 Other commitments

At 31 March 2011 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2012:

	Land and buildings 2011	Land and Other 2011	Land and buildings 2010	Land and Other 2010
	£	£	£	£
Over one year				
Between two and five years	–	5,245	–	5,564
	–	5,245	–	5,564

24 Related party transactions

The Royal Navy Submarine Museum is sponsored by the Ministry of Defence (MoD). The MoD is regarded as a related party. Grant funding from the NMRN is separately disclosed in the Statement of Financial Activities.

The Royal Navy Submarine Museum owns a 100% trading subsidiary R.N.S.M. Enterprises Limited and its results are included in these consolidated accounts and as such all transactions between these entities are eliminated on consolidation.

The Royal Navy Submarine Museum is a related party of the Society of Friends of the Royal Navy Submarine Museum.

During the year the Society donated a total of £32,500 (2010: £15,050) to the Charity.

25 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax. The charity's trading subsidiary is not exempt, but had a corporation tax liability of £Nil as at 31 March 2011 (2010: £Nil).

26 Pensions

The majority of staff are covered by a group personal pension plan scheme. One part time member of staff is covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which provides benefits based on the final pensionable pay. The pension cost charged to the Statement of Financial Activities of £38,110 (2010: £40,506). The contributions payable under the group scheme are fixed at 12.5%.

No amounts were outstanding at the year end. The contributions payable under the PCSPS were at a rate which is within the range accepted of 17.1 to 26.5 per cent of pensionable pay, based on salary bands.

27 External performance indicators

Ratio of self-generating income to Grant

Year	Self Generated Income	NMRN Grant income	% Total Revenue Grant	% Total Revenue Self Generated	
2011	246,000	562,000	70%	30%	Budget
2011	* 1,333,000	587,000	31%	69%	Actual
2010	528,000	602,000	53%	47%	Actual

* This includes £991,759 of donations for the Alliance Fund (2010: £250,000).

28 Post balance sheet events

On 1st June 2011, Royal Navy Submarine Museum “vested” a new company. The Museum is therefore from this date a company limited by guarantee and a registered charity. All assets and liabilities at this date were transferred to the new charitable company.

The Heritage Lottery Fund Awarded the Museum a grant of £3.4 million towards the costs of the HMS Alliance Conservation and Access Project on the 24th May 2011.

The accounts were authorised for issue by the Board of Trustees on 8 July 2011.

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