

The National Gallery Annual Report and Accounts for the year ended 31 March 2017

Presented to Parliament pursuant to section 9(8) of the Museums and Galleries Act 1992

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Objectives and activities

The National Gallery's foremost aim is to establish a central role for Old Master paintings in modern cultural life.

Our strategy to support this aim is built on the distinctiveness of the National Gallery and its work. We have one of the finest collections of paintings in the world that tells a coherent story about the development of Western European art over seven centuries, and a significant proportion of our collection is continuously on display to the public, both in Trafalgar Square and online.

Our strategic objectives, set out below, presuppose our statutory responsibility to acquire pre-eminent works of art and our duty to preserve the collection and make it accessible to the public. The Trustees have had regard to the Charity Commission guidance on public benefit.

The programmes to realise these strategic objectives include major investment in improving the Gallery's digital services, a rich and varied exhibition programme, better public communication, academic initiatives and improvements to display. We are also undertaking a number of initiatives to enhance our welcome to visitors.

The National Gallery's strategic objectives are:

- to care for and enhance the Collection for the public;
- to be accessible to all;
- to inspire research, learning and engagement; and
- to invest in our staff, to maintain and develop our buildings and to increase our income.

Review of achievements and performance in 2016–17

Care for and enhance the Collection for the public¹

Acquire pre-eminent paintings and develop new areas of the Collection

In 2016–17 we received four additions to our collections through gifts and bequests. *Maternal Affection* by Louis Jean François Lagrenée, was a gift from the Estate of the late Brian Sewell, the eminent art critic. A delicate, small-scale painting on a copper support, *Maternal Affection* epitomizes the type of picture for which Lagrenée was celebrated in the eighteenth century. *Oetzthal* by Danish painter Vilhelm Petersen was presented to the Gallery by Peter Hecht in memory of the late Erika Langmuir (a former Head of Education at the Gallery) and is a luminous sketch of the Austrian mountains remarkable for its naturalness and fluency of brushwork. The Gallery's small but growing collection of Scandinavian art was further strengthened by a gift from Mr Asbjørn Lunde (through the American Friends of the National Gallery) of *The Lower Falls of the Labrofoss* by Johan Christian Dahl. The Dahl painting was presented together with *At Handeck*, by the Swiss artist Alexandre Calame. This small, highly-detailed sketch of a vertiginous alpine scene shows a lone alpine pine appearing to stand aside and offer the spectator a dramatic view of the steep river valley dropping away.

Develop relationships with museums and private collectors with a view to expanding the displays with significant long-term loans

The receipt of some exceptional long-term loans this year has advanced the Gallery's offering of paintings from the Netherlands. With the loan of five paintings from a single collection, the National Gallery can now boast a comprehensive overview of the development of flower painting in the North and South Netherlands between about 1605 and 1800. The range of artistic traditions and individual styles reflected in these paintings beautifully complements and enhances permanent collection holdings in this area, one of the most distinctive and characteristic genres in Netherlandish painting.

The National Gallery received three outstanding long-term loans of Dutch and Flemish paintings from a private collector based in Hong Kong: two works by Jan Brueghel the Elder, and one by Ferdinand Bol, one of Rembrandt's most gifted pupils. Each of these paintings addresses a recognised gap in the permanent collection, and enables the Gallery to present a more balanced image of Netherlandish painting in the 17th century.

Protect the collection and maintain the highest standards of collection care and management

The National Gallery has one of the largest and most important groupings of paintings on wooden panel supports in the world. As a class of object, panel supports offer special qualities for painting, however they also present a unique set of conservation needs. An example of this in 2016–17 is the ongoing treatment of Bellini's *Peter Martyr*, which includes significant structural intervention. The Conservation team's knowledge of the mechanical properties of wood, adhesives, and other historic and modern materials is combined with the highest standard of craft and mechanical skills, a combination not found in many institutions. Such treatments are supported by a wider institutional approach to understanding and maintaining appropriate environmental conditions. This integration of addressing the specific requirements of any given panel with wider preventive conservation needs is fundamental to the Gallery's approach to conservation and care of the collection.

In 2016–17, in addition to the core activities of supporting conservation through analyses of materials and structure of paintings and making longer term studies of deterioration and preventative conservation, the Scientific department has been engaged in two projects that have significantly extended the Gallery's technical imaging capabilities; the construction and testing of a cutting-edge hyperspectral imaging system, and the acquisition of a macro X-ray fluorescence scanner, both benefiting from external funding. The latter was delivered in January and has already been applied to several works in the collection to better understand their structure and condition, giving new insight that could not have been gained with our existing tools of investigation.

Another area of focus in 2016–17 has been new methods for evaluation of lighting, especially the investigation of improved quantitative metrics for the colour-rendering qualities of specific lamps. The outcomes of this research are a series of flexible online tools that improve our ability to assess how new lights will affect the appearance of our paintings, with impact on decisions made about acquisition of lamps. These tools have also been made available to other museum and gallery professionals in the UK or elsewhere through a NG research website (<http://research.ng-london.org.uk/scientific/spd>). LED lighting is a rapidly evolving area of technology, and ongoing collaboration with the EU-funded Hi-LED project (<http://www.hi-led.eu/>) made it possible to conduct further research using new tuneable LED lights. These are now installed in the Conservation Department, where they are already showing considerable potential for augmenting existing daylight with spectrally matching artificial light to ensure good lighting for conservation work.

Rethink the permanent collection display in relation to new developments in the Collection

In 2016–17 the Gallery's exhibition and loans programme necessitated substantial movements in the permanent collection displays. The decision to hold the *Michelangelo and Sebastiano* exhibition in the North Galleries led to major redisplays for the 1600–1800 collection, and the 16th-century Italian paintings. The French 17th and 18th-century paintings have been moved for the first time since the 1990s from the North Galleries into Room 29, and the Dutch and Flemish collection have been displayed in the refurbished Ground Floor Galleries. The refurbishment of Rooms 41–46 also prompted a rehang of substantial parts of the post-1800 collection in the Ground Floor Galleries.

In March 2017 we opened our first new gallery for 25 years, Gallery B. First to be displayed was *Rubens and Rembrandt*, a special collection display of paintings hung together, creating a dynamic visual dialogue between the two great 17th-century masters. In the Sainsbury Wing, the Gallery's collection of works by Leonardo da Vinci are displayed together for the first time in Room 66, proving a popular draw for our visitors, while Piero della Francesca's paintings are permanently integrated within the main collection with paintings by his contemporaries Sassetta and Paolo Uccello in Room 54.

The Gallery's acquisitions prompted further redisplays of parts of the collection. *Oetzhal* by Petersen has been hung with the Scandinavian collection, and also with post-1800 French painting – as have Calame's *At Handeck* and Dahl's *The Lower Falls of the Labrofoss*. Following cleaning, Lagrenée's *Maternal Affection* was displayed in Room 33, where it makes a major contribution to our small collection of French 18th-century paintings.

Sebastiano's *The Raising of Lazarus* was bought with the Gallery's first group of paintings in 1824. The discovery of the surviving bottom element of the original frame for it, in the Cathedral of Narbonne in the 1980s, and the opportune acquisition of the top of an enormous sixteenth century tabernacle frame seven years ago, instigated an attempt to reframe the large canvas. This was successfully completed in 2017, ahead of the *Michelangelo & Sebastiano* exhibition. For the first time since it left the Cathedral of Narbonne about 300 years ago *The Raising of Lazarus* can be seen as it was intended.

A number of other framing projects involving traditional and early frames, and adaptation of existing frames, were carried out to improve the appearance and appeal of pictures on display. Nine paintings were framed using newly acquired antique frames, and six with reproduction frames.

Accessible to all²

Maintain and promote free access to the Collection

Over 6.2 million visitors came to the Gallery in the past year, with more than 9.7 million visits to our digital channels, up from 9.4 million last year.

We opened the new Gallery B on 22 March 2017. This added an additional 200 square metres of display space and creates a direct public route from the Trafalgar Square entrance through to Orange Street (at the rear of the Gallery). The innovative hang of the special display *Rubens and Rembrandt* demonstrates the potential of this new gallery space for exceptional displays that offer different ways of exploring the National Gallery Collection, and has proved enormously popular with the visiting public.

Seasonal Lates attracted a broader, younger audience to the Gallery, offering interactive and innovative experiences with our paintings. This year saw the highest ever visitor attendance to a National Gallery public event, with 16,247 visitors to the Halloween Late in just three hours.

Realise an ambitious new digital strategy

We continue to achieve significant growth across our digital estate, having increased our reach by 100% to over 2 million followers across our social media platforms. Instagram, the National Gallery's newest social media channel, was the fastest growing this year with 457,786 current followers, up 358% on last year.

During 2016–17 the Gallery used the exhibition programme³ as a key conduit for exploring and growing its digital reach:

- During the *Painters' Paintings: From Freud to Van Dyck* exhibition the Gallery held its first ever Facebook Live curator tour which has since been a big success in terms of reaching new audiences. In total the exhibition received 60,722 visitors and a UK media readership of nearly 14 million;
- *Beyond Caravaggio* achieved high profile coverage from publications across Europe and had strong engagement across our digital channels, particularly with Facebook Live and Instagram. Overall, UK media readership came to 36 million, with European readership exceeding 17 million;
- *Delacroix and the Rise of Modern Art* achieved a number of 5 star and 4 star reviews across the national press and was well attended throughout its run – receiving 111,584 visitors in total, and attracting a UK media readership of 33 million and 8 million overseas;
- *Australia's Impressionists* received over 75,000 visitors and also performed strongly across social media and all our digital channels.

Make the visit to the National Gallery excellent at every level

Our objective is to make a visit to the National Gallery excellent at every level: from the welcome at the entrances to the catering facilities, from the information we provide on the Collection to the services we offer. The National Gallery has enjoyed a successful and busy year, recording its second highest number of visitors, 6.2 million; expanding its schools and education programmes; opening three major critically acclaimed exhibitions and delivering an exhibition programme that attracted over 1 million visitors.

There have been a number of projects delivered in 2016–17 that have been aimed at enhancing the visitor experience, from the refurbishment of some of our cafes, to the opening of a new gallery and improvements in 'wayfinding', particularly new maps and signage. The Gallery also continued to be innovative in providing a unique and unforgettable experience for visitors; for example, for the *Beyond Caravaggio* exhibition the Gallery also hosted a series of events linked to the exhibition, including a live re-enactment of Caravaggio paintings in Trafalgar Square, by Italian ensemble Quadri Plastici, which attracted national and international press attention.

Foster and develop relationships with institutions throughout the UK

The Gallery seeks to promote the understanding, knowledge and appreciation of Old Master paintings throughout the UK. All our resources – the Collection, exhibitions, staff expertise, educational activities and research resources in the library and archives – are available to museum professionals and to the wider public and we work in partnership and collaboration with museums and institutions throughout the UK to support public learning and enjoyment for all levels and ages. A key part of our national strategy was the Masterpiece Tour which saw three

² Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b) and (d) that the Board shall "secure that the works of art are exhibited to the public" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".

³ More detail on the exhibition programme is given on page 5.

major National Gallery paintings tour the UK from January to July in 2014, 2015 and 2016. The third painting, Rembrandt's *Self Portrait at the Age of 63*, returned to the Gallery from Bristol Museum & Art Gallery in July 2016. Planning for a 2018–20 tour is now under way.

From January 2017 until September 2018 artist in residence George Shaw's exhibition *George Shaw: My Back to Nature* will travel the length and breadth of the UK as part of the National Gallery's commitment to promote the understanding, knowledge and appreciation of Old Master paintings and to make the National Gallery's exhibitions available to as wide an audience as possible.

The National Gallery programme *The Subject Specialist Network: European Paintings pre-1900* is a free network for museum professionals around the UK to support the highest professional standards in the research, conservation, display, and interpretation of European Paintings pre-1900, to promote more in-depth research and interpretation of paintings in UK collections and facilitate discussion around research, interpretation, display, and learning programmes in order to enable public engagement.

We continue to nurture the next generation of curators and to address the need for object- and collections-based expertise, through our Curatorial Traineeship programme. Two trainees spend time receiving training and experience at the National Gallery and at a UK regional museum as part of their 22 month appointment, then research and redisplay a major collection project at two different regional museums. Applicants for the 2017–19 phase of the programme are currently being sought.

Inspire research, learning and engagement⁴

Develop and realise an ambitious and attractive exhibition programme of temporary exhibitions, in collaboration with prestigious international partners

The following temporary exhibitions were open during the year. "(£)" denotes a ticketed exhibition:

Exhibition	Attendance	Venue
<i>Delacroix and the Rise of Modern Art</i> (£) 17 February 2016 – 22 May 2016	51,112 (from 1 April 2016)	Sainsbury Wing
<i>Dutch Flowers</i> 6 April 2016 – 29 August 2016	267,941	Room 1
<i>George Shaw: My Back To Nature</i> 11 May 2016 – 30 October 2016	241,474	Sunley Room
<i>Painters' Paintings: From Freud to Van Dyck</i> (£) 23 June 2016 – 4 September 2016	60,772	Sainsbury Wing
<i>Maino's Adorations: Heaven on Earth</i> 28 September 2016 – 29 January 2017	104,832	Room 1
<i>Beyond Caravaggio</i> (£) 12 October 2016 – 15 January 2017	191,661	Sainsbury Wing
<i>Australia's Impressionists</i> (£) 7 December 2016 – 26 March 2017	62,196	Sunley Room
<i>Cagnacci's Repentant Magdalene</i> 15 February 2017 – 21 May 2017	38,908	Room 1
<i>Michelangelo & Sebastiano</i> (£) 15 March 2017 – 25 June 2017	18,677 (to 31 March 2017)	North Galleries

In the exhibition *Delacroix and the Rise of Modern Art*, Delacroix's works appeared with those of contemporaries such as Bonington, Chassériau and the young Manet, all of whom fell under his influence. Delacroix played a shifting role in the imaginations and art-world strategising of avant-garde artists for some fifty years after his death. The exhibition was organised in collaboration with the Minneapolis Institute of Art where it was first seen in autumn 2015 and was generously supported by Art Mentor Foundation Lucerne, with additional support from The Daniel Katz Gallery, London.

⁴ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(b), (c) and (d) that the Board shall "secure that the works of art are exhibited to the public", "secure that the works of art and documents are available to persons seeking to inspect them in connection with study and research" and "generally promote the public's enjoyment and understanding of painting and other fine art both by means of the Board's collection and by such other means as they consider appropriate".

The exceptionally popular Room One exhibition *Dutch Flowers* explored the evolution of Dutch flower painting over the course of two centuries, from its beginnings in the early 17th century to its peak in the late 18th century, and was the first display of its kind in 20 years. The exhibition was a strong demonstration of the National Gallery's diverse strengths: the depth of its collections, the generosity of its many lenders and benefactors, and the expertise of its Scientific, Conservation and Framing departments.

Painters' Paintings: From Freud to Van Dyck focused on a hitherto little-examined aspect of provenance: pictures that formerly belonged to painters. The recent acquisition of Corot's *Italian Woman*, which was left to the nation through the Acceptance in Lieu Scheme by Lucian Freud after his death in 2011, inspired a systematic examination of the Gallery's published catalogues and new research into provenance revealing some 70 works in the collection formerly owned by painters. The exhibition explored the variety of the pictures amassed by the featured artists, throwing new light on their tastes, predilections and the ways in which painters look to the art of the past for guidance and inspiration.

The loan of two remarkable paintings from the Museo Nacional del Prado in Madrid provided a rare opportunity to present the work of the Spanish painter Fray Juan Bautista Maíno, an artist of exceptional talent whose name remains largely unfamiliar outside of Spain. *The Adoration of the Shepherds* and *The Adoration of the King* originally formed part of a larger complex painted for the main altar of the church in the Dominican house of San Pedro Mártir in Toledo. The two vast canvases are among Maíno's greatest works and demonstrate the naturalistic influence of Caravaggio whose revolutionary paintings the Spanish artist would have seen at first hand in Rome.

Beyond Caravaggio was the first major exhibition in the UK to explore the influence of Caravaggio on the art of his contemporaries and followers. His strikingly original paintings, with their intense naturalism and dramatic use of light, had a lasting impact on European artists, both during his lifetime and in the decades immediately following his death in 1610. Bringing together exceptional works by Caravaggio and the Italian, French, Flemish, Dutch, and Spanish artists he inspired, *Beyond Caravaggio* examined the international artistic phenomenon known as Caravaggism. This exhibition was a collaboration between the National Gallery, London, the National Gallery of Ireland, and the National Galleries of Scotland.

In the first UK exhibition of its kind, *Australian Impressionists* showcased four innovative Australian Impressionist artists, Tom Roberts, Arthur Streeton, Charles Conder, and John Russell between 1884 and 1904. The exhibition explored Impressionism in an Australian context, being closely related to, yet entirely distinct from, its European counterparts. Featuring loans from some of Australia's leading museums and private collections, many of which have never been seen in the UK, this exhibition invited the visitor to reconsider how Impressionism was understood at the time, as an international phenomenon which transformed itself as it travelled the globe.

The Repentant Magdalene is widely regarded as Cagnacci's masterpiece. Full of drama and sensuality, it depicts Mary Magdalene rejecting her life of sin and excess in favour of following Christ. The display represented a number of 'firsts' for the National Gallery: it was the first time a painting by Cagnacci had hung on our walls; the first time the Gallery had received a loan from the Norton Simon Museum; and the first time that this painting – which spent the vast majority of its life in Britain – had been on public view in this country.

Michelangelo & Sebastiano was at once a reassessment of Sebastiano's singularity as an artist, an unexpected view of Michelangelo as a collaborator and friend, and a presentation of extraordinary works of religious art from the High Renaissance. The exhibition offered an unprecedented exploration of the unique creative relationship and friendship between the two artists and consisted of seventy exhibits encompassing painting, sculpture and drawings, as well as selections from their extensive and illuminating correspondence.

Provide an education programme that covers children, families, schools, lifelong learning, special needs and outreach, and develop new programmes for young adults

2016 saw the full impact of implementing a new Education Strategy. Our education programme pioneered new approaches to learning in the Gallery environment and met a broad range of needs through daily programmes for schools, families, young people, adults and visitors of all ages with access or learning requirements, providing high quality experiences that seek to promote more powerful engagement.

Gallery and Theatre talks enjoyed high attendance, and filming these for YouTube turned them into global events (last year's series received over 100,000 views), while the popular programme of exhibition-themed talks added value to the exhibition visit. Complementing these broader-reaching areas of the adult programme, learner-centred workshops such as *Take Notice*, *Learning to Look*, *Relax with Paintings* and *Drawing Mindfully* encouraged participants to engage meaningfully with art via routes other than art history. The *Access to Art* programme which launched last year offered training to community leaders to run affordable creative workshops for their community groups, enabling new and broader audiences to feel motivated by and connected with the National Gallery. We also piloted a relaxed version of our popular *Talk & Draw* sessions, with the addition of mindfulness practice, specifically designed for carers. For many, this experience has sparked an interest in art, a desire to draw and to participate in the National Gallery's mainstream public programme.

Young Producers is an innovative 12-month training opportunity designed to prepare young people aged 18 to 25 for the workplace through hands-on experience, skills development and collaboration with professionals across the Gallery. The first cohort of ten Young Producers were recruited in November 2016 and have collaborated with various departments including Education, Events, Curatorial and Communications to engage new and young audiences by curating public programmes, producing films, creating digital content and designing branding. Young Producers are enlivening our programmes for all audiences by creating immersive learning environments for Early Years audiences, filming Twitter ‘mini-lessons’ for teachers and delivering talks for adults. Their voices are heard by colleagues and visitors alike, embedding the importance and value of young people across the public and behind-the-scenes activities of the Gallery.

The Family programme enjoyed an increase in participant numbers over the year and successfully diversified the audience base through planned outreach schemes. Provision for children with SEND (special educational needs and disabilities) is now embedded across the Schools and Teachers programme and in October we celebrated this by hosting the inaugural conference for an international network of SEND professionals.

Develop the National Gallery’s Research Centre into a powerful generator of research at an international level

The Research Centre supports the Gallery’s research strategy and ensures that its research resources are made available to the widest possible audience of visitors, digital users and Gallery staff. A major project was commenced this year to convert manuscript index cards into a digital format that can be imported into the library management system. This will enable the library catalogue to be placed online in the near future. In May 2016, the first eleven paintings stock books of Thos. Agnew & Sons were made accessible online in the first stage of opening up the Agnew’s Archive to a wider audience. Going forward it is hoped that a searchable database can be produced and made freely available to the public. The receipt of restricted donations has allowed the Gallery to continue its progress in cataloguing the extensive rare books collection, including cataloguing of the rare technical books held in the Scientific Department.

The National Gallery has the most comprehensive collection of 16th-century Ferrarese painting outside Italy, and this year saw the publication of *National Gallery Catalogues: The Sixteenth-Century Italian Paintings. Volume III: Bologna and Ferrara* (London: National Gallery Company, 2016). The catalogue maintains the commitment to the highest quality scholarship shown by the rest of the series of new-style Gallery catalogues, inaugurated in 1998. Like them, there is an emphasis on detailed research derived from technical analysis, undertaken by Gallery scientists, conservators and curators, and from primary sources discovered in archives and libraries (in this case, numerous Italian archives not only in Ferrara and Bologna, but also Faenza, Lucca, Modena and Pavia). The catalogue is co-authored by Giorgia Mancini and Nicholas Penny (National Gallery Director, 2008–15), the author of two previous National Gallery catalogues of Italian 16th-century pictures. In line with Penny’s former publications, the current catalogue includes copious information about picture frames and past owners, thus making additional important contributions to histories of buying, collecting and display. This publication was also the subject of an extended seminar in November 2016, planned by the Gallery’s Research Centre. In 2016–17 Research Centre staff engaged in the planning and supporting of academic programmes consisting of eight seminars, four academic conferences, and four colloquia in conjunction with the exhibitions programme, as well as numerous study days.

Work with contemporary artists on a variety of projects

George Shaw became the National Gallery’s ninth Rootstein Hopkins Associate Artist in 2014, and *George Shaw: My Back to Nature* is the unveiling of his works created over two years in the studio at the Gallery. Shaw has had a deep relationship with the Gallery’s collection since he was a teenager, when he would make trips from his home town of Coventry to draw from the paintings. Shaw is best known for his representations of the run-down urban landscape, with his subjects taken from around the Midlands council estate that was his childhood home, and this exhibition of predominantly woodland landscapes in response to the paintings in the Gallery’s collection showcases his investigation of this clash of cultures.

The Gallery was also pleased to once again host the *Fourth Plinth Shortlist Exhibition*, which was on display in the Annenberg Court from 19 January–26 March 2017. The Fourth Plinth commissions have become a hotly anticipated and much-debated fixture in Trafalgar Square. They bring ambitious contemporary art to the heart of the historic square. Following the September 2016 unveiling of David Shrigley’s *Really Good*, this exhibition presented, for the first time, the shortlisted proposals for 2018 and 2020 by some of the leading artists working today.

Invest in our staff, maintain and develop our buildings and increase our income⁵

Invest in our staff

During 2016–17 the Gallery undertook a major review of its employment terms and conditions to create a more flexible and favourable framework for all of its employees. This included the introduction of a flexible benefits package in March 2017, bespoke to the Gallery, which was named The Palette after suggestions from a number of our employees. This new framework is the first of its kind within the museum and gallery sector, introducing a means for employees to make the most of their pay and reward framework through personal choices. Within one month, over three quarters of the workforce had signed up and registered with the system. Making best use of technology, our employees can access live benefits and discounts using their mobiles and tablets, as well as in more traditional ways.

The Gallery also invested in an upgrade to the HR IT system to provide improved means for employees to directly manage their own records. Once again, advances in technology were made so that all can now access these records off-site, using home computers and mobile phones to be able to access their records and – for example – request or authorise annual leave without delay incurred by a need to be in the office to do this. This new system provides the basis for further enhancements to our induction process so that we can start to engage employees more fully with the Gallery before they even start their employment, which will be further developed in the coming year.

During 2016–17, the National Gallery agreed a pay settlement which was higher than the settlements of previous years, as an expression of appreciation for the continued efforts of our workforce. The coming year will see a further advancement as we modernise our entire pay and reward framework and further invest to support this change.

Maintain and develop our buildings

In caring for and maintaining its physical estate, the Gallery makes an effort to implement energy efficiency technologies whenever it can. Across the Gallery, the move to LED technology with dimming control, allows maximum benefit from natural daylight. Back-of-house corridors, shops and restaurants now also make use of LED technology to further reduce our carbon footprint. We have replaced a number of external flood lights with energy efficient LED fittings during 2016 with plans to extend this initiative during 2017–18. During 2016–17 we have been replacing air handling unit (AHU) filters with low energy filters to improve the overall efficiency of the AHUs, and this initiative will continue during 2017–18.

Continued refurbishments have been a work in progress across the Gallery to both improve the display and experience for our visitors and also improve the efficiency of the building fabric. We have increased environmental and energy awareness across the site, with plans to extend this initiative during 2017–18 through an employee awareness survey and an energy monitoring dashboard that can be viewed by visitors.

Increase our income

In 2016–17 the National Gallery continued to focus on increasing income through public and private support, with particular emphasis on philanthropy from individuals and foundations, corporate giving and legacies. It was a strong year for exhibition support, with a wide-ranging programme supported by individual donors, trusts and corporate sponsors, as well as the continued long-standing commitment of Credit Suisse, Partner of the National Gallery since 2008, who sponsored the highly-acclaimed *Beyond Caravaggio* exhibition in the autumn of 2016 and *The Credit Suisse Exhibition: Michelangelo & Sebastiano* which opened in March 2017.

During the last twelve months a strategic objective was to broaden the Gallery's donor base which was achieved through a variety of initiatives. Initiatives to engage new audiences included trialling an event, *Unexpected View*, during Frieze week, at which contemporary artists spoke about their favourite works in the collection, with the aim to entice younger donors and those more usually attracted by contemporary art. In November, an event underwritten by a donor was held for potential supporters with young families, which has helped us to build new relationships and secure new Patrons and donors to the Gallery.

In addition to widening our supporter base, the National Gallery continues to be grateful for the generosity of loyal major donors who have been critical in providing multi-year commitments, enabling the Gallery to deliver ongoing projects and plan ahead with confidence. Our supporter schemes have also provided vital funding and both the Director's Circle and Benefactors' Circle have increased their membership during the year, with support directed towards education, exhibitions, framing, curatorial and conservation projects.

⁵ Objective supports the requirement of the Museums and Galleries Act 1992 s2(1)(a) that the Board shall "care for, preserve and add to the works of art and documents in their collection".

The Membership Programme was launched in September 2014, and the scheme continued to grow in 2016–17, exceeding its end of year targets. Renewals continued to be strong, with a 65% renewal rate for memberships that were due to expire during the year. Members benefit from free, unlimited entry to all exhibitions including exclusive Members' Preview Days and a broad programme of events and discounts on all Education events and courses. Members are also able to enjoy access to an exclusive Members' website of films, interviews and articles, free use of the cloakroom, a 10% discount offered by the National Dining Rooms and National Café, and other adhoc special offers, and are kept up to date through the Membership e-newsletter.

The Gallery saw another exceptional year for exhibition ticketing income. Both *Delacroix and the Rise of Modern Art* and *Beyond Caravaggio* exceeded their attendance targets, the latter exhibition by a significant margin. This moved the exhibition programme as a whole from an expected position of net investment to actually making a positive net contribution to the Gallery's financial position. The Gallery also trialled charging for an exhibition in one of its smaller exhibition spaces, with *Australia's Impressionists*, which had a standard adult ticket price of £6.50 (excluding donation). This trial proved to be a success, with the exhibition exceeding its income target by a small margin.

We continue to work closely with the National Gallery Company (NGC) to encourage increased generation of income from retail, publications and agreements with concession holders. In 2015–16 the Gallery collaborated with NGC in the successful launch of the Gallery's venue hire offer. There are now a range of options available for members of the public, or companies wishing to hold events at the National Gallery; and NGC continues to expand the offer available by increasing the selection of rooms to be booked and widening the scope of events that can be held. The refurbishment of several meeting rooms in the main Gallery building has created a suite of elegant, connected conference rooms, which have proved to be very popular with venue hire clients. The venue hire business exceeded its income targets in 2016–17 and the strong growth is expected to continue. 2016–17 also saw the Company undertake significant investment in its catering outlets, with a major re-design and refurbishment of the National Café, located next to the Gallery's Getty entrance. The redesigned spaces were launched in March 2017, to a very favourable reception. This was seen as a positive start to NGC's new partnership with Sodexo, who acquired the Peyton and Byrne business in the autumn of 2016.

DCMS Key performance indicators

Specific information relevant to the Gallery's contribution to DCMS performance indicators for 2016–17 as set out in the Funding Agreement agreed with DCMS:

	Performance in 2016–17	Performance in 2015–16
1. Number of visits to the Gallery (excluding virtual visitors)	6.2m	5.9m
2. Number of unique users visiting the website	4.8m	4.7m
3. Number of visits by children under 16	0.4m	0.4m
4. Number of overseas visits	4.0m	3.8m
5. (a) Number of facilitated and self-directed visits to the Gallery by visitors under 18 in formal education	121k	108k ⁶
5. (b) Instances of visitors under 18 participating in on-site organised activities	12k	9k
6. % of visitors who would recommend a visit	99%	99%
7. Number of UK loan venues	23	23 ⁷
8. (a) Self-generated income – admissions	£2.8m	£3.4m
8. (b) Self-generated income – trading	£3.2m	£2.8m ⁸
8. (c) Self-generated income – fundraising	£11.1m ⁹	£15.8m ⁸

⁶ Industrial action during 2015 and the resulting room closures impacted attendance at the Gallery, and fewer school visits occurred in the period (however the increase in activities on outreach programmes are not captured within the above figures).

⁷ The number of UK loan venues in 2015–16 was understated in the prior year accounts, and is corrected here.

⁸ An adjustment to the 2015–16 figures corrects the allocation of £0.1m donation income previously stated as trading in the prior year KPI statement.

⁹ This figure excludes £31.1m raised towards an offer to purchase Pontormo's *Portrait of a Young Man in Red Cap*, unfortunately the offer was not accepted and the funds were returned.

Plans for the future

As the Gallery approaches its bicentenary in 2024, it seeks to define a bold new vision for its future which builds on its traditions and strengths and engages with a world which is more curious, more cosmopolitan and more connected. In building on its statutory responsibilities the Gallery aims to respond to changes in social trends and technological developments, as well as to challenges in financial circumstances.

Care for and enhance the Collection for the Public

We have a statutory duty to care for and enhance the Collection for the Public, but we want to go much further and demonstrate our pre-eminence in the sector. The Gallery will continue to develop its expertise in the areas of conservation, environmental controls and estates management at the same time as looking for ways to develop the Collection where opportunities exist.

We will develop stronger relationships with major international partners; cultivate relationships with long term lenders; seek to make use of Acceptance in Lieu and the Cultural Gifts Scheme; and add to the Collection in accordance with our acquisition strategy. We will also look to re-present and reinterpret the permanent collection display in relation to new developments in the Collection, in the field of art history, and wider cultural concerns.

Access for all

The Gallery attaches great significance to its national remit and will strive to be an institution for all. It will seek to engage with partners across the UK as existing National Programmes are developed and new relationships established and the foundation bicentenary in 2024 will emphasise the theme of 'a Gallery for all'. Our aim is to provide a world class visitor experience which can accommodate increased visitor numbers in reasonable comfort and meets the needs of all visitors; dismantling barriers of every kind, both intellectual and physical.

Developments in digital technology mean that the Gallery can now have a worldwide reach. There is vast scope for growth in the number of digital resources and our new digital programme will enable the Gallery to exercise its public and educational functions more effectively and to communicate with people across the globe. The Gallery has set aside ring-fenced funds for this investment in digital and will seek new technological and media partners to realise its ambitions. We will also embrace more ambitious targets for online visitors and individual memberships by 2021.

Inspire research, learning and engagement

The Gallery already undertakes and publishes extensive scientific and research work. This is at the heart of what we do, and permeates through the activities of the Collections and Public Engagement teams, including Education and the dedicated Research Centre. In the future, research will involve new modes of working, more institutional, university and international collaborations, the application of scientific innovation and more online publishing of results. The Research Centre will be a significant generator of new research, promoting academic collaborations, high level formation and publishing.

Learning at the Gallery is for everyone; and we plan to enhance the education offer. Lectures and debate, music and performance, video and broadcasting are natural components of the Gallery's activities, making it not only an attractive place to visit but one that can play a significant role in the nation's cultural life. We plan to place special emphasis on working with people between the ages of 18 and 35, for whom the Gallery has not traditionally had special programmes. The Gallery will undertake an ambitious exhibition programme that will explore aspects of the Collection as well as introduce the public to lesser known facets of the history of art. Contemporary artistic practice will have an enhanced role in the Gallery's activity and its relationship with the Collection will be a key element.

Maintain and develop our buildings

The Gallery is a Grade 1 listed building of national significance and has in place a comprehensive long term programme to ensure the estate is maintained to a high standard and that environmental conditions within the Gallery are kept within agreed parameters. In the last ten years visitor numbers have grown 42%, to around 6 million per annum. With only a 3% year-on-year increment there will be more than 7 million visitors by 2022, which could present significant challenges. We will respond with a programme of maintenance and refurbishment of galleries as well as better planning for visitor flow, crowd management and collection itineraries. We will also begin to plan the creation of more space to accommodate visitors, allow the permanent collection to grow, host necessary services and offer suitable temporary exhibition space.

Support the Gallery's workforce

The Gallery undertook an extensive outsourcing programme in 2015–16 resulting in the appointment of Securitas as our partner for Visitor and Security related services and the transfer of 289 staff from the Gallery to Securitas. The Gallery aims for an ever more highly engaged workforce, committed to the values and objectives of the Gallery and to achieving them by working in an energised and creative environment. In 2016–17 we began delivery of the Gallery's new employment model, which will include training and development, improved internal communications and a flexible benefits programme. We will also seek to ensure that levels of pay and reward are commensurate with those of the sector, reflecting a fair recognition of the contribution that our employees make to the Gallery's success.

Develop a sustainable operating model

The Spending Review settlement has provided a degree of certainty over funding for the 5 years to 2020–21 and will enable the Gallery to progress with confidence. However, no provision is made for inflation or funding to cover new activities and respond to cost pressures in a changing and increasingly hazardous world. Therefore the Gallery will continue to develop self-generated income streams through more intensive use of Gallery spaces and in collaboration with its commercial partners. There will be a stronger focus on philanthropy, with a special emphasis on individuals and foundations, corporate giving, legacies, and developing an International Circle programme. We will support the National Gallery Company in delivering its three year business plan, which includes further development of venue hire, e-commerce and licensing.

Financial Review

Financial position

The Statement of Financial Activities is set out on pages 34–45 of this document. Income for 2017 amounted to £41.2 million (2016: £46.4 million); total expenditure amounted to £37.9 million (2016: £35.7 million), resulting in net income (after unrealised investment gains and revaluations) of £6.8 million (2016: £12.1 million). Of the net income of £6.8 million, £6.1 million relates to restricted funds; including £1.2 million of donations to fund collection acquisitions, and £1 million of funding restricted to operational projects in future years. There was net expenditure of £1.2 million associated with unrestricted funds; with the balance of £1.8 million being a movement on permanent endowments.

Income from donations and legacies for the year totalled £32.0 million (2016: £37.1 million). This figure includes income relating to picture acquisitions, Government Grant-in-Aid and other donations, as well as legacy income. Income relating to picture acquisitions was mainly attributable to the four paintings donated to the Gallery in 2016–17, which were valued at just over £0.4 million in total: *At Handeck* by Alexandre Calame; *The Lower Falls of the Labrofoss* by Johan Christian Dahl; *Oetzthal* by Wilhelm Peter Carl Petersen and *Maternal Affection* by Louis Jean François Lagrenée (in the prior year the Gallery received an exceptional donation of £4.8 million to acquire Giovanni da Rimini's *Scenes from the Lives of the Virgin and other Saints*). Income from charitable activities for the year totalled £2.8 million (2016: £3.4 million). The balance of income, £6.4 million (2016: £5.9 million), is mainly from the Gallery's corporate and individual membership schemes, and sponsorship income.

The Gallery's total expenditure for the year was £37.9 million (2016: £35.7 million). The increase in spend was funded in part by retained reserves in 2015-16 which were ring fenced for planned higher spending in 2016–17. Spend on preserving, enhancing and developing the potential of our collections was £1.9 million higher than in 2015-16. More had been spent on exhibitions and broadening our appeal and providing an exceptional visitor experience in 2015-16, due to an ambitious exhibition programme in 2015-16, this subsequently reduced by £0.8m in 2016–17.

The net movement in funds for the year amounted to £6.8 million (2016: £12.1 million). The net movement includes any gain or loss on the value of the Gallery's land and buildings, any gain or loss on its investments and the value of donated works of art capitalised as collection acquisitions. This year the movement includes a surplus on revaluation of £0.2 million (2016: £1.7 million) and investment gains of £3.3 million (2016: losses: £0.2 million).

In accordance with the Government Financial Reporting Manual (FRoM) – which reflects the requirements of FRS 102, Section 34 – works of art are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

The Trustees consider that the cost of valuing pictures in the collection, where cost or valuation information is not available but would be possible to obtain, would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet.

The treatment required by FRS 102, Section 34 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole. Further information on the nature and scale of the Gallery's collection can be found in note 14 and on the Gallery's website.

Details of the treatment of pension liabilities are disclosed in the Remuneration Report and the effect of the revaluation of land, buildings, and plant and machinery is disclosed in note 13. The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

Fundraising and resources

Grant-in-Aid from the Department for Culture, Media and Sport (DCMS) amounted to £24.1 million for the year ended 31 March 2017 (2016: £24.1 million). The Gallery generated additional income as a result of its exhibitions, educational activities and fundraising programme.

The Gallery's Development Office focused on raising charitable income from individuals, grant-making trusts and companies and on generating other income through corporate sponsorship and membership. Charitable support, largely from individuals and grant-making trusts, made an important contribution to the Gallery's operational activity and capital development. Our education work benefited significantly as a result of major donations and grants from individual donors and charitable trusts. Our exhibition programme has continued to see an increase

in charitable support, including generous donations from the Packer Family Foundation in support of *Australia's Impressionists*, and the Art Mentor Foundation Lucerne in support of *Delacroix and the Rise of Modern Art*.

The Gallery attracted private support for curatorial assistant posts, academic colloquia and the publication of catalogues. Charitable income also supported the work of the framing, scientific and conservation departments. The Gallery was extremely grateful for the support in reaching its target of £31.1 million to raise sufficient funds to make a matching offer bid for Jacopo Pontormo's *Portrait of a Young Man in Red Cap*, but disappointed that the bid was rejected by the owner of the painting and the acquisition was not made.

The Gallery's partnership with Credit Suisse continued to play a vital role in contributing to the Gallery's activities as a whole and in sponsoring two major exhibitions: *Beyond Caravaggio* and *Michelangelo & Sebastiano*. For the *Dutch Flowers* exhibition, the Gallery embarked upon an extraordinary project with sponsors Funnyhowflowersdothat, who created a stunning 35 square metre living reproduction of *A Still Life of Flowers in a Wan-Li Vase*, outside the Gallery, to the delight of visitors. In addition, corporate membership continues to provide a stable source of unrestricted income.

Philanthropic support and corporate sponsorship continued to make an essential contribution to the Gallery's capacity to preserve, enhance and display its collection for public enjoyment. The Gallery remains indebted to every individual, trust and company for their support during the course of this year.

Investment policy

Scope of investment powers and power to delegate management of investments

The Trustees, in respect of their general funds, including assets given to them without restriction by donors or testators, rely for their investment powers on the general power in section 2(6) of the Museums and Galleries Act 1992, which permits them to do such things as they may think necessary or expedient for the purpose of fulfilling their functions under the Act. This implies a wide power of investment. In respect of general funds, the Board may delegate investment decisions to a committee of the Board, under the powers in the 1992 Act, but have no power to delegate investment decisions to third parties.

Funds held on trust ('trust funds') are governed by a Charities Act Scheme varied by resolution of the Board in March 2012 to provide wide powers of investment similar to those available under the Trustee Act 2000. In respect of these funds, the Board has a power to delegate investment decisions to a committee of the Board and also has an express power to delegate the management of investments to financial experts, subject to the restrictions laid out in the Scheme.

Investment objectives

The Gallery's reserves policy sets out the level of general funds required to meet working capital needs and to provide a safeguard against volatile and unpredictable income streams. General funds are held with a view to deliver an optimal return within the constraint of ensuring adequate liquidity to meet working capital needs.

Trust funds represent funds held on trust for particular purposes. Some trust funds are expendable within the short-term, but many are not immediately expendable and some are permanent endowments, where the capital cannot be spent. To the extent that trust funds are not expendable over the medium term, these are invested with a view to optimising long-term total return.

Trust funds that may be expended over the short to medium term are invested with a view to deliver an optimal return whilst retaining appropriate levels of liquidity, subject to other constraints set out in this policy. Such trust funds are separately identifiable from general funds.

Attitude to risk

The Trustees recognise that risk is part of the investment process. Trust funds held for the long-term are invested with a view to deliver an optimal total return over time and Trustees accept the capital and market risks inherent in this type of investment. Capital and market risks are mitigated to some extent by diversification of investments, for example through the use of cash deposits for remaining funds.

All the Gallery's investments are held with institutions of the highest quality to combat counterparty risk. Funds may only be placed with a new institution with the approval of the Finance Committee.

Types of investment

Suitable investments include authorised funds, equities, bonds and cash deposits. The Gallery will not usually hold any derivative instruments, options, futures, forward contracts or foreign currency, except where there is a specific need for such an instrument or where it is held as part of a defined investment strategy.

Investment management

The Board delegates investment of trust funds to the Finance Committee. The Finance Committee monitors the performance of investments and ensures compliance with the investment policy. The Finance Committee considers the investment objectives annually and recommends any changes to the Board.

The Finance Committee is able to appoint investment managers, and where they choose to do so the performance of investment managers is reviewed at least annually and is reported to the Board.

Investments are measured against an appropriate benchmark. Equity investments are measured against a suitable index. The return on cash deposits is measured against the UK bank base rate.

Investment performance

Permanent endowments and restricted funds held for the longer term are invested in a developed market equity index fund. The gross total return on this fund during the financial year before fees was positive 14.98% (2016: negative 3.36%). The benchmark for this fund is the MSCI World Net TR Index, which delivered a net total return for the year after fees of positive 14.77% (2016: negative 3.45%).

The Gallery also holds short-term money market funds and fixed-rate interest accounts. Performance is measured against the official Bank Rate set by the Bank of England. In the year to 31 March 2017 the fixed-rate weighted average interest rate was 0.33% (2016: 0.55%) compared with the weighted average base rate of 0.34% (2016: 0.5%).

Details on the movement of investments during the year can be found in note 15.

Reserves policy

The Gallery seeks to maintain unrestricted general funds not committed or invested in tangible fixed assets at a level equivalent to six months' worth of non-guaranteed (i.e. non-contractual) income, as a safeguard against volatile and unpredictable income streams.

However, given that Grant-in-Aid is not drawn down in advance of need and that significant funds may be required for picture purchases, the level of unrestricted general funds may exceed this level at any point in time. Grant-in-Aid should not be held in reserves and will therefore normally be expended in the month it is received.

Restricted funds represent funds held for specific purposes as specified by the donor. These are separately recorded and invested until they can be expended in accordance with the restriction in place. Some restricted funds are held for the long term due to the nature of the restriction.

Permanent endowments represent funds that cannot be expended. These are separately recorded and invested for the long term in accordance with the investment policy.

The reserves policy is reviewed by the Audit Committee annually and changes may be made where appropriate to reflect likely funding requirements in the coming year.

The aggregate value of reserves is £598.2 million (2016: £591.4 million). A breakdown of these is shown in the Balance Sheet and in the Statement of Funds (note 21). A significant proportion of the funds (£277.8 million; 2016: £274.0 million) relate to the Gallery's land and buildings, being the Trafalgar Square site, plant and machinery, and equipment. £296.5 million (2016: £295.9 million) is represented by the value at the date of acquisition of donations to the Collection and pictures acquired since 1 April 2001, and £2.6 million (2016: £1.9 million) relates to funds restricted for future acquisitions.

Of the remaining £21.3 million (2016: £19.6 million), £8.5 million (2016: £6.7 million) is in permanent endowments, where the capital must be retained, and £8.9 million (2016: £7.9 million) represents other restricted funds. A further £1.9 million (2016: £1.7 million) is income, mainly from bequests, which the Trustees have designated for picture purchases. The remaining balance of £2.0 million (2016: £3.4 million) represents undesignated general funds arising from the Gallery's fundraising, trading, and charitable activities. At their meeting in March 2017, the Board agreed this was an appropriate level to maintain, in accordance with this policy.

The Trust Funds of the National Gallery

The Trust Funds of the National Gallery are made up of a number of bequests, which were constituted as a pool for investment purposes by a scheme approved by the Secretary of State for Education and Science in 1972. The Trust Funds are controlled by the National Gallery Trustees and included within these financial statements.

Reference and Administrative Details

These accounts have been prepared in a form directed by the Secretary of State with the consent of Treasury in accordance with Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Government's Financial Reporting Manual and the Accounting and Reporting by Charities: Statement of Recommended Practice (2015) (FRS 102).

So far as the Accounting Officer and the Trustees are aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

History

The National Gallery was established in 1824 when Parliament voted £60,000 for the purchase, presentation and display of a group of 38 paintings, part of the collection of the late John Julius Angerstein.

Organisation

The Gallery is a Non-Departmental Public Body, whose sponsor department is the Department for Culture, Media and Sport (DCMS). The Gallery is exempt from the need to register with the Charity Commission.

Further information about Trustees and senior management, together with information on structure, governance and management can be found in the Governance Statement.

The principal address of the charity is:

The National Gallery
Trafalgar Square
London WC2N 5DN

The National Gallery website address is: www.nationalgallery.org.uk.

Advisors

Banking Services	Government Banking Service (GBS) Southern House 7 th Floor Wellesley Road Wellesley Croydon CR9 1WW	Coutts & Co. 440 Strand London WC2R 0QS
Auditors	The Comptroller and Auditor General National Audit Office 157–197 Buckingham Palace Road Victoria London SW1W 9SP	
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH	Various other solicitors are used as required.
Investment Managers	BlackRock Investment Management (UK) Ltd 33 King William Street London EC4R 9AS	

Payment policy

The Gallery aims to settle all bills either within the period stated by the supplier or within 30 days.

The year-end creditor day ratio was 27 days (2016: 35 days).

Equal opportunities

The National Gallery undertook a complete review of its employment model during 2016–17, which saw the rewrite of policies and procedures to modernise and enhance working conditions for all within the Gallery. Increased access to off-site working and flexible working have been underpinned by technological changes which will continue to be rolled out in forthcoming years. The Gallery has provided additional flexible benefits such as holiday trading, which allows employees to amend their annual leave entitlement to accommodate personal lifestyle, and access to increased flexibility of this type is planned in the future. The Gallery continues to be committed to publication of its diversity data, even though our employee numbers mean that there is not a requirement for us to do so: in this respect, the racial diversity of our workforce continues to grow.

Sickness absence management

The average number of days of employee absence due to sickness was 3.1 days (2016: 7.2 days). Excluding long term sickness, the average number of days of absence was 2.2 days (2016: 3.3 days).

Immunity from Seizure Report 2016–17

This report applies to the ninth successive year of the application of the legislation passed in 2007 (under Part 6 of the Tribunals, Courts and Enforcement Act 2007) to provide Immunity from Seizure for objects from abroad lent to temporary exhibitions. The National Gallery gained approval in 2008 to apply for protection for specific loans to exhibitions under the provisions of the Act.

The Gallery has continued to apply the necessary processes developed in the first year following its approval under the Act. These involve compiling details of provenance for each exhibition loan, researching and recording further information and carefully considering any gaps in provenance. Details of the objects requiring Immunity from Seizure, together with details of the research undertaken, are published on the National Gallery website at least four weeks and one day before the objects are imported into the UK.

Exhibitions including works for which protection under the legislation was sought during 2016–2017 are as follows:

Delacroix and the Rise of Modern Art
17 February – 22 May 2016

Painters' Painting: From Freud to Van Dyck
23 June – 4 September 2016

Beyond Caravaggio
12 October 2016 – 15 January 2017

Australia's Impressionists
7 December 2016 – 26 March 2017

Michelangelo & Sebastiano
15 March – 25 June 2017

At the balance sheet date, no enquiries and no claims have been received with respect to the objects under section 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Sustainability report

Our sustainability aim is to save energy and reduce our consumption of resources, generation of waste and our carbon footprint. We are committed to integrating environmental considerations into our activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement.

We have prepared this sustainability report in order to provide information on the plans we have in place for reducing carbon emissions. The report has been prepared in accordance with HM Treasury Public Sector Annual Reports: Sustainability Reporting.

Summary of performance

We are in the process of developing our second Carbon Management Plan to cover the period 2015–2020. This serves to follow on from the Carbon Management Plan for the period 2010–2015 (<http://www.nationalgallery.org.uk/about-us/organisation/policies/carbon-management-plan>).

During 2016–17 we have undertaken a number of projects, to improve sustainability and to lay the foundations for significant reductions in emissions in future years. These include:

- Continued lighting project to replace lamps with energy efficient LED fittings, including external flood lighting;
- Building fabric refurbishments;
- Installation of low energy air handling unit (AHU) filters;
- Continued benefit of our combined heat and power (CHP) unit with reduced downtime for the period;
- Development of environmental and energy awareness across the site, including that of both staff (via a staff awareness survey) and visitors (dashboard), with plans to extend on this over the following year;
- Procurement strategy that aims to reduce significant environmental impacts where relevant and proportionate to the contract.

Our performance is summarised in the table below:

Area		2016–17 ¹⁰	2015–16	2014–15
Greenhouse gas emissions (Scopes 1, 2 & 3) tCO ₂ e	Actual	5,746	6,117	6,006
	Target	5,405 ¹¹	5,706	5,258
Estate energy	Consumption (million KWh)	24.8	24.6	24.8
	Expenditure (£ million)	1.1	1.1	1.1
Estate waste	Amount (tonnes)	673 ¹²	660	606
	Expenditure (£'000)	84.5	66	58
Estate water	Consumption ('000 m ³)	34.9 ¹³	40.1	39.3
	Expenditure (£'000)	77	88	82

Overall, the National Gallery has achieved a reduction in the carbon emissions for the 2016–17 reporting period (-6%). In relative terms, based on number of visitors this equates to 0.93kgCO₂ emissions per visitor, a 12% reduction on the 2015–16 figure.

This is largely attributable to a reduction in Scope 2 carbon emissions (grid electricity) by -30%. The primary reasons for this are the on-going energy reduction initiatives as well as a reduction in the CHP downtime resulting in reduced grid electricity consumption. In addition there has been a reduction by 10.8% in the electricity carbon

¹⁰ The CO₂e emissions in this table have been calculated using the latest DEFRA (2015) emissions factors.

¹¹ The annual targets are based on a 5% annual reduction from the 2014–15 baseline, this is in line with the Carbon Management Plan.

¹² Estate waste has been calculated using the cardboard volumes from the 2015–16 submission as the 2016–17 cardboard volume data is not yet available.

¹³ Estate water consumption has been calculated for the period of February and March 2017 based on a pro rata calculation as no invoice is available for this period.

emissions factor, this is due to a significant decrease in coal generation and an increase in gas and renewables generation¹⁴.

There has been an overall increase in Scope 1 carbon emissions reported in 2016–17 (6%) due to two primary reasons. Firstly, two refrigerant leaks occurred from the main chillers; although leak detection and leak management procedures are in place this still led to a use of refrigerant that was significantly higher than in previous years. Secondly, an increase in gas consumption due to increased run hours of the CHP; ultimately however this reduces the reliance on grid electricity consumption.

Summary of future strategy

Our draft 2015–2020 Carbon Management Plan outlines our sustainability strategy and the specific measures we will take to reduce our carbon dioxide emissions by over 25% by 2020. The key strategy is to reduce greenhouse gas emissions through the installation of energy-efficient plant and equipment. Key projects under investigation for achieving this include:

- CHP, Absorption Chiller & Electric Humidifiers;
- Photovoltaic Panels (PV);
- Optimisation of humidifiers;
- BMS optimisation strategies;
- Chiller flow control optimisation;
- Air in-take screens for the chillers;
- Additional LED lighting installations.

Greenhouse gas (GHG) emissions

The National Gallery's collection is predominately housed in a Grade 1 listed 19th century building which accommodates over 6 million visitors a year. The nature of the Collection is such that it requires carefully controlled environmental conditions, and most of our spaces are fully air-conditioned to best preserve the paintings. Inherently therefore a high proportion of our carbon footprint is associated with the energy required to maintain the environmental conditions within the galleries.

We are continuously investigating opportunities to reduce the environmental impact of maintaining the Collection as well as broader initiatives regarding sustainability, waste and water management.

Our Carbon Management Plan sets out the direction we are taking to reduce our GHG emissions. A fundamental strategy for reduction is the installation of a CHP unit, commissioned in 2012. During 2016–17 we have made every effort to ensure the continued operation of the CHP unit, the result has been an increased number of run-hours and therefore an increase in self-generated electricity for use across the building.

The following table shows our GHG emissions in the current and previous three financial years.

Greenhouse gas emissions		2016-17	2015-16	2014-15
Non-financial indicators (tCO ₂ e) ¹⁵	Total gross emissions	5,764	6,203	6,024
	Gross emissions Scope 1 (direct)	4,167	3,933	3,928
	Gross emissions Scope 2 (indirect)	1,417	2,055	1,838
	Gross emissions Scope 3 (indirect)	180	215	258
Related energy consumption (million kWh)	Grid electricity	3.4	4.4	3.7
	Electricity generated on site	7.0	6.2	6.7
	Natural gas	21.3	20.1	21.1
Financial indicators (£ million)	Expenditure on energy	1.1	1.1	1.1
	CRC license expenditure	0.086	0.099	0.098
	Expenditure on accredited offsets	–	–	–
	Expenditure on official business travel	0.04	0.1	0.1

Key performance indicators (KPI)

The number of visitors has increased by 6% from 2015-16 to 2016-17, analysis shows a relative decrease of 12% in carbon emissions per visitor in 2016-17¹⁶. Over the coming year we aim to make full use of the CHP along with the progression of other planned works, with the aim of further reducing carbon emissions where possible across the site.

KPI – visitor numbers	2016-17	2015-16	2014-15
Total visitors	6,173,344	5,828,629	6,533,035
Total carbon (tCO ₂ e)	5,764	6,203	6,024
Emissions per visitor (tCO ₂ e)	0.00093	0.001064	0.000922

Waste management

No waste from the National Gallery is sent to landfill. We aim to reduce waste and to ensure as much waste as possible is reused or recycled. We have been utilising two cardboard balers since April 2016, thus reducing the volume of waste requiring collection and reducing our upstream environmental impact by decreasing the number of waste collections.

Continued communications are carried out regarding waste management both with employees and visitors to decrease waste generation at the Gallery. The waste management contract in place aims to increase volumes of waste being recycled along with providing training for staff and contractors. Particularly this is targeted towards those working in the restaurants; this is an on-going process.

¹⁵ Due to the complexity of calculating business travel from the data available assumptions have been made, these are in line with Guidance requirements. This emissions source accounts for <1% of the total emissions inventory and therefore this calculation falls within the materiality threshold of <5% of the total carbon footprint. Moving forward efforts will be made to facilitate the collection and reporting of staff travel.

¹⁶ Please note that alternative metrics may be more appropriate and will be investigated in future years.

Our performance with respect to waste can be seen in the following table:

Waste		2016-17	2015-16	2014-15	
Non-financial indicators (tonnes)	Total waste	673	660	606	
	Hazardous waste	Total	–	–	–
		Non-hazardous waste	Landfill	–	–
	Reused/recycled		378.6	419.0	390.0
	Anaerobic digestion		47.6	–	–
	Incinerated with energy recovery		246.6	241.0	216.0
Incinerated without energy recovery	–	–	–		
Financial indicators (£'000)	Total disposal cost	84.5	66.0	54.0	

Use of resources

Water is used both within the office environment for general welfare purpose as well as within the process of maintaining the internal environment of the National Gallery. Every effort is made to minimise water consumption through the installation of efficient toilet fittings across the Gallery.

Finite resource consumption		2016-17	2015-16	2014-15
Non-financial indicators ('000m ³)	Water consumption	34.9	40.1	39.3
Financial indicators (£'000)	Water supply costs	77	88	82

Remuneration report

The figures in this report have been subject to audit.

The remuneration report includes salary and pension details of National Gallery staff defined as “directors” of functional areas. These members of staff are considered to constitute senior management, however executive authority over the decisions of the Gallery as a whole remains solely in the hands of the Director, guided by the Chairman and Board of Trustees. For the purposes of this report directors of functional areas are described as “senior managers”.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2016: £nil).

Director's remuneration and benefits

The salary and performance award details for the Director are as follows:

	2017				2016			
	Salary	Performance related pay	Pension benefits (to nearest £1,000)	Total (to nearest £1,000)	Salary	Performance related pay	Pension benefits (to nearest £1,000)	Total (to nearest £1,000)
	£	£	£1,000	£1,000	£	£	£1,000	£1,000
Dr Gabriele Finaldi (from 17 August 2015)	142,495	57,533 ¹	56,000	256,000	88,868 ²	–	35,000	124,000
Nicholas Penny (until 16 August 2015)	–	–	–	–	64,534 ³	40,015 ⁴	– ⁵	105,000

¹ Performance related pay of £21,909 was awarded for the period to 31 March 2016. Performance related pay of £35,624 was awarded for the period to 31 March 2017.

² Full year equivalent is £142,495.

³ Full year equivalent is £147,113.

⁴ Performance related pay of £29,423 was awarded for the period to 31 March 2015. Performance related pay of £10,592 was awarded for the period to 16 August 2015.

⁵ Dr Penny opted out of the pension scheme as of 31 March 2014.

The Director's performance-related bonus is determined by the Remuneration Committee. The Remuneration Committee (which comprised Hannah Rothschild, Rosemary Leith and Lance Batchelor, and was attended by RoseMarie Loft in an advisory capacity during the year) reviews the Director's performance annually, taking account of the achievement of the Gallery's objectives as set out in the funding agreement between the Department for Culture, Media and Sport and the National Gallery.

Dr Finaldi is eligible for a performance-related bonus in the range of 0% to 25%. Dr Finaldi was offered and accepted a 25% performance-related, nonconsolidated bonus of £35,624 for the year to 31 March 2017. Additionally, in the year to 31 March 2017 Dr Finaldi was offered and accepted a 25% performance-related nonconsolidated bonus of £21,909, pro-rated for the period 17 August 2015 to 31 March 2016.

Dr Penny was eligible for a performance-related bonus in the range of 0% to 20%. In the year to 31 March 2016 Dr Penny was offered and accepted a 20% nonconsolidated bonus of £29,423 reflecting performance during the year to 31 March 2015 and a further 20% nonconsolidated bonus of £10,592, which was pro-rated for his term in office and reflected performance in the period to 16 August 2015 when he retired from the Gallery.

No provision is made within the Director's contract for non-cash benefits and none was paid. The Director was working in Madrid at the time of his appointment and the Gallery met the cost of qualifying relocation expenses, totalling £16,485.82 in 2015–16. The notice period of the Director is six months.

The Director's appointment is for an indefinite period. In accordance with the provisions of the Alpha occupational defined benefit pension scheme the Director may retire at the later of age 65 or his state pension age. The Director's contract of employment determines the circumstances in which a compensation payment may be made. The compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

Senior managers' salary, performance award and benefits (including any compensation payments)

	Salary		Pension benefits		Total	
	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000
Susan Foister <i>Director of Public Engagement</i>	85 – 90	85 – 90	37	27	125 – 130	110 – 115
Larry Keith <i>Interim Director of Collections</i> <i>(from 14 January 2016)</i>	70 – 75	10 – 15 ²	60	13	130 – 135	25 – 30
RoseMarie Loft <i>Interim Director of Change</i> <i>(27 April 2015 – 30 April 2016)</i>	5 – 10 ¹	65 – 70 ³	3	42	5 – 10	110 – 115
Ashok Roy <i>Director of Collections</i> <i>(until 7 February 2016)</i>	–	75 – 80 ⁴	–	27	–	100 – 105
Chris Walker <i>Director of Finance and Operations</i>	90 – 95	90 – 95	37	35	130 – 135	125 – 130

¹ Full year equivalent is £75,000 – £80,000.

² Full year equivalent is £65,000 – £70,000.

³ Full year equivalent is £70,000 – £75,000.

⁴ Full year equivalent is £85,000 – £90,000.

The Gallery's remuneration policy applies to all staff, including senior management. Members of staff are paid according to the nature of the role they perform and each job is graded and included in a salary band. There are eight salary bands and the senior managers covered by this report are all in salary band one.

No provision is made within the contracts of the above individuals for non-cash benefits, and there is no entitlement to performance-related awards. None of the individuals mentioned above received any benefits in kind nor any bonus. The notice period for the above individuals is three months. The appointment of the above individuals is for an indefinite period and the compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

Pensions

The Director's pension is covered by the same scheme as other employees. His contract is for no fixed term, in common with other members of staff at the Gallery.

The accrued pension and lump sum payments as at 31 March 2017 for senior managers and the Director are as follows:

Pension	Accrued pension at pension age as at 31 March 2017 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase (decrease) in CETV ¹⁷
	£'000	£'000	£'000	£'000	£'000
Gabriele Finaldi	5 – 10	2.5 – 5	61	23	27
Susan Foister	40 – 45	0 – 2.5	909	875	35
	plus 120 – 125 lump sum	plus 5 – 7.5 lump sum			
Larry Keith	20 – 25	2.5 – 5	488	412	56
	plus 65 – 70 lump sum	plus 7.5 – 10 lump sum			
Chris Walker	5 – 10	0 – 2.5	124	95 ¹⁸	19
RoseMarie Loft	0 – 5	0 – 2.5	58	57	2

(as at 30 April 2016)

¹⁷ Taking account of inflation, the CETV funded by the employer may have decreased in real terms.

¹⁸ The prior period figure has been restated due to a retrospective update to service history.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The 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 Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include an 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 not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or 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.

Calculation of pay differentials

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The full year equivalent remuneration of the highest-paid director at the National Gallery during the year to 31 March 2017 was in the range £200,000 to £205,000¹⁹ (2016: £185,000 to £190,000²⁰). This is 6.5 times (2016: 6.4 times) the median remuneration of the workforce, which was £31,000 (2016: £29,100). The timing of bonus payments to the current and former directors has artificially increased the differential for 2016–17 and 2015–16. Remuneration ranged from £18,146 to £200,028 on a full year basis as at 31 March 2017 (2016: £18,200 to £187,128).

No employee was paid more than the highest-paid director in the year.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include employer pension contributions and the Cash Equivalent Transfer Value of pensions.

Signed:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 4 July 2017

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 4 July 2017

¹⁹ This amount includes two performance-related bonuses amounting in total to £55,000–£60,000, and relating to performance in 2016–17 and performance in 2015–16 pro-rated for time in post.

²⁰ This amount includes two performance-related bonuses amounting in total to £40,000–£45,000, and relating to performance in 2014–15 and performance in 2015–16 pro-rated for time in post.

Statement of Trustees' and Director's responsibilities

Under the Section 9(4) of the Museums and Galleries Act 1992 the Secretary of State for Culture, Media and Sport, with the consent of the Treasury has directed the National Gallery to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Gallery and of its income and expenditure, changes in funds and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction²¹ 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 on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Secretary of State for Culture, Media and Sport has designated the Director as Accounting Officer of the National Gallery. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Gallery's assets, are set out in *Managing Public Money* published by the HM Treasury.

The Accounting Officer confirms that as far as he is aware there is no relevant audit information of which the National Gallery's auditors are unaware. Furthermore, the Accounting Officer confirms that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the National Gallery's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable, and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Signed:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 4 July 2017

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 4 July 2017

Governance Statement

This statement sets out the Gallery's corporate governance and risk management framework, which provides the structure within which resources are managed and controlled.

Governance framework

The Gallery is governed by the Museums and Galleries Act 1992, under which a body corporate known as the Board of Trustees of the National Gallery was established. The Charities Act 2011 confirms the charitable status of the Board of Trustees of the National Gallery and its exemption from the need to register with the Charity Commission. Both acts can be viewed at www.legislation.gov.uk.

The Gallery is governed by a Board of Trustees, who are non-Executive and unpaid. The establishment, constitution, functions, property and powers of the Board of Trustees are dealt with in Sections 1–8 of the Museums and Galleries Act 1992; Schedule 1 to the Act deals with membership and proceedings of the Board. The Trustees have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.

The Gallery has no fewer than 12 and no more than 14 Trustees at any time. All Trustees except one are appointed by the Prime Minister, usually for a period of four years with the possibility of renewal. In addition, Tate appoints one Trustee from its own Board.

The Board usually meets 6 times a year (in the year to 31 March 2017, there were six regular Board meetings) and also convenes annually for an offsite strategy day. Minutes of Board meetings are published on the Gallery's website.

The following is a list of the Trustees of the National Gallery who served for all or part of the year to 31 March 2017, together with a summary of their attendance at meetings which they were eligible to attend. The strategy weekend is treated as a Board meeting for the purpose of calculating attendance. Overall, attendance by Board members at meetings they were eligible to attend during the year averaged over 87%.

	Attendance at Board meetings
Ms Hannah Rothschild	7/7
Ms Caroline Thomson (retired 10 August 2016)	1/3
Mr Gautam Dalal (retired 24 March 2017)	7/7
Professor Anya Hurlbert	6/7
Mr John Nelson	6/7
Mr Lance Batchelor	6/7
Mr Dexter Dalwood	7/7
Mr John Singer	6/7
Mr Charles Sebag-Montefiore	6/7
Lord King of Lothbury	6/7
Ms Lisa Milroy	5/7
Ms Katrin Henkel	7/7
Ms Rosemary Leith	6/7
Mr David Marks (appointed 13 March 2017)	1/1

The Chairman of the Board is responsible for approving adequate arrangements for induction and training for new Board members. New Trustees are:

- given the Trustee Handbook, which sets out the structure, role and responsibilities of the Board (including the scheme of delegation to management), and includes detailed information about standards, accountability and governance, including the Code of Practice for individual Trustees, and the Board's Conflicts of Interest Policy; and
- given copies of the latest Corporate Plan, Funding Agreement, Annual Review and Financial Statements and key strategy documents; and

- given the equivalent of about 2 days' worth of induction, which includes meeting members of the senior management team to learn about the work of the Gallery.

The Gallery follows governance best practice for public service and charitable bodies, and in so far as it applies, the Gallery complies with the principles of the *Corporate governance in central government departments: code of good practice 2011*.

The Board has a Code of Practice for individual Trustees (based on and consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies 2011), which sets out the responsibilities of individual Trustees and also the Board's Conflicts of Interest Policy. This provides that Trustees must avoid conflicts of interest wherever possible; discuss any difficulty with the Chairman; agree the right course of action; and record the decision. Actual or potential conflicts of interest are formally identified at the start of each meeting of the Board and the manner in which the conflict is dealt with is minuted.

The Board maintains a Register of Trustees' Interests which is updated twice a year and is reviewed once a year by the Board's Audit Committee. The Register is available for inspection on application to the Secretary to the Board.

The Board collectively is responsible for the Gallery's statements of values, aims and strategy; statements of required governance, procedures, standards and structures; specific decisions which are not delegated to the Executive and the holding of management to account for implementation and performance.

The Board delegates operational responsibility to management within an agreed framework. The Director and Accounting Officer as at 31 March 2017 is Dr Gabriele Finaldi. The Accounting Officer is responsible for accounting to Parliament, DCMS, the Board of Trustees and other stakeholders. The Accounting Officer has personal responsibility for ensuring propriety and regularity in the management of public funds and for the day-to-day management of the National Gallery.

The Director has appointed a number of senior staff to act as executive directors of certain functional areas. These individuals are considered senior managers for the purposes of the Remuneration Report. The individuals defined as senior managers at some point during the year ended 31 March 2017 were:

Dr Susan Foister
Larry Keith
RoseMarie Loft
Chris Walker

Senior management take decisions through the mechanism of an Executive Committee, whose members are responsible for the main departments in the Gallery. Management communicates with staff through meetings, the intranet, e-mail and staff notices. The three unions representing a number of members of staff meet regularly with senior management.

Committees of the Board

The Board delegates some of its responsibilities to a number of formal sub-committees of the Board, the membership of which is determined by the Board. The remit and membership of formal sub-committees operating during the year is set out below, and external committee members are indicated with an asterisk. Attendance by committee members during the year is also shown.

Committee	Key responsibilities	Membership	Number of meetings attended	Number of meetings eligible to attend
Audit ²²	To support the Board and Accounting Officer in their responsibilities for issues of risk, control and governance, by reviewing the reliability and integrity of assurances provided.	Gautam Dalal (Chair)	4	4
		Hannah Rothschild	4	4
		Charles Sebag-Montefiore (from 10 November 2016)	1	1
		John Singer	4	4
		Sir Colin Southgate* (retired 10 November 2016)	3	3
Finance	To support the Board and Accounting Officer in their responsibilities for effective financial management of the Gallery and to invest funds in the National Gallery's Trust Funds Pool.	Gautam Dalal (Chair)	6	6
		Hannah Rothschild	6	6
		Charles Sebag-Montefiore (from 10 November 2016)	1	2
		John Singer	4	6
		Sir Colin Southgate* (retired 10 November 2016)	4	4
Governance	To support the Board in its responsibilities for governance procedures and standards.	Charles Sebag-Montefiore (Chair)	3	3
		Gautam Dalal (retired 24 March 2017)	2	3
		John Singer	3	3
		Caroline Thomson (retired 10 August 2016)	1	3
Nominations	To keep under review the balance of skills and experience on the Board so as to ensure that the Board has the range of diverse skills, backgrounds and experience it requires for the achievement of its statutory, charitable and financial objectives; it participates in the process of appointment of new Trustees which is run by DCMS in accordance with the OCPA Code.	Hannah Rothschild (Chair)	2	2
		Anya Hurlbert	2	2
		Dexter Dalwood	2	2
Remuneration	To advise the Board on the remuneration of the Director and other senior appointments.	Hannah Rothschild (Chair)	2	2
		Caroline Thomson (retired 7 July 2016)	1	1
		Lance Batchelor (from 7 July 2016)	1	1
		Rosemary Leith (from 7 July 2016)	1	1

* Independent Committee member.

²² Sir John Kingman was appointed as a Trustee on 3 April 2017 and will chair the Audit and Finance Committees. He was Chair of the Audit Committee meeting at which the 2016–17 accounts were approved.

The Committees of the Board reported the following during the year:

The Audit Committee provided assurance to the Board in the form of its Annual Report, which covered the work of external and internal auditors during the year as well as the overall risk management framework. The Audit Committee monitored changes to policy during the year and one area of particular focus was the Gallery's response to security penetration testing conducting on both physical and information security systems, where tests conducted by external experts led to a number of recommendations for how policies and procedures could be enhanced.

The Finance Committee has monitored the finances of the Gallery during the year and in particular the Gallery's approach to planning for an ambitious exhibition programme, which is expected to make a greater contribution to the Gallery's financial results. The Committee recommended the adoption of the budget set out within the corporate plan for 2017–22, having recommended that the Gallery's spending plans be more closely aligned to the strategic objectives developed by the new Director, and also recommended to the Board the payment of a grant to the National Gallery Trust to further the charitable objects of the Gallery. This recommendation was adopted by the Board at its meeting in March 2017. The Corporate Plan was reviewed and approved by the Board in March 2017. The Finance Committee reviewed the Gallery's approach to negotiating a contract variation with Securitas for the provision of the gallery services and security; and recommended that the Board adopt the proposed variation, following legal advice.

The Governance Committee met three times during the year. It carried out a full review of the Trustees' Handbook including the scheme of delegation, the Code of Practice for Individual Trustees, and the role descriptions of the Chair and Deputy Chair; it proposed revisions to these documents which were approved by the Board. It agreed the form of a Board effectiveness survey questionnaire which was distributed to the Board; it considered responses to the questionnaire and made recommendations to the Board arising out of those responses.

The Nominations Committee met twice during the year to consider the one vacancy which existed on the Board at the beginning of the year and the further vacancy which arose in the course of the year. The Committee reviewed the balance of skills and experience on the Board in the light of those vacancies and recommended to the Board that a search should be instituted for two new Trustees (one a senior property professional and the other someone with the skills and experience required to chair the Gallery's Audit and Finance Committees) and the Board endorsed these recommendations. Proposed role and person specifications for these roles were approved by Ministers and a search was conducted by DCMS in accordance with OCPA rules. The Chair of the Committee sat on the panel which conducted the sift and interviews and which made a recommendation to the Prime Minister for two new appointments to the Board; one of those appointments was made on 13 March 2017 and the other shortly after the year end.

The Remuneration Committee met twice during the year. At their first meeting, they discussed the performance of the Director, Dr Gabriele Finaldi, for the period 17 August 2015 to 31 March 2016. They recommended payment to the Director of a bonus for the period to 31 March 2016 and recommended performance objectives for the year to 31 March 2017; the Board accepted these recommendations subject to some modifications. At their second meeting, the Committee considered proposals from the Gallery's Executive committee in relation to changes to the Gallery's pay and reward structure, including the implementation of a pay and grading review; they endorsed the proposals and recommended them to the Board. The Committee were acting as a sub-committee to the Board here, rather than as part of the Remuneration Committee's written remit.

Achievements and Effectiveness of the Board

Significant achievements of the Gallery during 2016–17 are recorded under the heading of '*Review of achievements, performance and plans for the future*', within the Annual Report.

The Board reviewed its own effectiveness in November 2016 Board members were asked to complete a questionnaire rating the Board's effectiveness ("How well does the Board do what it is supposed to do?") by responding to questions relating to the following areas namely: vision, mission and strategy; governance; financial stability; protection and maximising of assets; fundraising; mentoring/advisory; and management of risk. Board members were also asked to assess how well equipped the Board is to be effective in its responsibilities, by responding to questions relating to the following areas, namely: skills on the Board; knowledge of the organisation and its people; environment for team working; Board process, management and follow up; interaction with the Executive.

In relation to the quality of information provided to the Board, Board members were specifically asked to confirm whether they feel adequately briefed in advance of Board meetings; whether Board papers are of an appropriate length and quality; whether reports from the management team are adequate; and whether the Board receives adequate reporting on key risks and on financial progress during the year. They agreed or agreed strongly with all these statements. The quality of information provided is of a high quality and is subject to continuing review and improvement.

The Governance committee considered responses to the Board effectiveness survey and made a number of recommendations arising from those responses, including recommendations relating to the definition and communication of the Gallery's vision and strategy; updating the Board on the Gallery's five year financial plan; bringing a further Board member onto the Development Committee; instituting regular specialist sessions for the Board in relation to areas such as conservation, lighting and framing; and a review of the Gallery's Acquisition strategy. The Board accepted all these recommendations.

Risk Management

The National Gallery recognises that the effective management of risk and uncertainty is core to its ability to achieve its objectives.

The Board of Trustees (assisted by the Audit Committee) sets risk management standards and the degree of risk aversion for the Gallery, and reviews the major risks to the Gallery.

The Accounting Officer is responsible for managing risk and ensuring an effective system of internal control is in place. The Accounting Officer places assurance on the work of the Internal Controls Committee, an executive committee which meets 4–5 times a year (4 in 2016–17) to review actively the risk environment, to monitor the adequacy of controls and to assess emerging risks. The Committee's membership includes the Director of Finance and Operations, a number of Heads of Department responsible for areas of the Gallery's activity with high risk exposure, as well as the Head of Internal Audit, Secretary to the Board and Legal Counsel and the Senior Collection Registrar.

The Internal Controls Committee uses a comprehensive risk register as a tool for managing risk, and recommends areas for internal audit based on the analysis of risks in the register. The Internal Controls Committee also reviews and is informed by the work of Internal Audit. The minutes of the Internal Controls Committee, together with its assessment of key risks, are reviewed by the Audit Committee at each meeting. Overall, the levels of risk at the Gallery remained stable during the year, as some project risks that were resolved were replaced by other new risks as activities continued to develop.

The Committee continued to monitor closely risks that had been introduced around change and the process of change management. The risk around upgrade of security infrastructure has been maintained, but residual risk levels have moved closer to target, as there are agreed plans in place to work around any equipment failure, while the procurement process was completed in-year and by year-end much of the new replacement equipment was ready for installation. The Committee also recognised a new risk mid-year, with the undertaking to redevelop the link between lower gallery A and other lower floor galleries in advance of the opening of the *Michelangelo & Sebastiano* exhibition in March 2017. The contract duration and cost were uncertain pending a full tender process, and timing was crucial; but the project was successfully completed on time and to budget, so by year-end the risk had been fully mitigated.

The Internal Controls Committee also continued to closely monitor financial risk. In the 2015 government Spending Review the Gallery received a settlement that amounted to 'flat cash' for the next 5 years, which whilst it will still result in a real terms reduction of around 5% by 2019–20, alleviated the immediate fear of significant cuts to Grant-in-Aid. However, there were new financial pressures from the Gallery's ambitious strategic plan, which included plans for a high profile exhibition programme, investment in staff pay and reward as part of a new employment model, expansion of digital services and some significant capital projects. The corporate planning round continued to look ahead across the next 5 years, from 2017–22, with the Gallery maintaining a downward pressure on costs and reviewing all income generation activities in detail.

The Gallery's risk register continues to monitor a number of risks that recognise the possibility of damage to the Collection, whether accidental or malicious. These risks continue to have high inherent scores, because of the impact that any such damage could have, but the Gallery's mitigating controls, including a detailed conservation plan to deal with any such incidents, means that the residual risk is tracking at the target level, and has been throughout the year. These controls were successfully demonstrated when on 18 March *Mr and Mrs William Hallett*, better known as *The Morning Walk*, a 1785 painting by Thomas Gainsborough, was attacked with a pointed object by a visiting member of the public. The man was immediately apprehended thanks to the quick response of the Gallery Assistant in the room, helped by members of the public and then by other Gallery Assistants. The painting was removed from display and treated by the Gallery's conservators, such that the damage is no longer visible to the naked eye; and the picture was back on display within a fortnight of the incident taking place.

The first half of the year saw teams across the Gallery involved in significant activity, to support the proposed acquisition of Jacopo Pontorno's masterly *Portrait of a Young Man in a Red Cap*. Following a temporary export ban imposed in late 2015, the Gallery embarked on a significant fundraising campaign to acquire the picture for the nation. The Gallery successfully raised the funds to make a matching offer before the 22 October deadline of the fair matching price of £30,618,987 recommended by the Export Reviewing Committee. Unfortunately, it was finally announced in February that the owner had decided not to accept the Gallery's offer. All donations and grants received towards the acquisition have now been returned, except where the donor has given permission for the Gallery to use the funds for another purpose.

Internal Audit reviewed a number of areas of the Gallery's work during 2016–17, although some non-essential reviews were postponed until 2017–18, while the Gallery assisted in recruiting a new Head of Internal Audit, to be employed by the British Museum under a continuing partnership arrangement. The reviews that were completed were weighted towards providing assurance over the Gallery's security arrangements, particularly in light of the outsourcing of Gallery services and security to Securitas, from November 2015. A review of the robustness of security procedures provided reasonable assurance that material risks are identified and managed effectively. Internal Audit noted that while a full set of standard operating procedures had been compiled, these procedures are quite recent and not all have been physically checked yet by the Vetting & Quality Assurance Manager, or signed off by Securitas staff; so they applied a prudent rating of 'reasonable' rather than 'substantial' assurance. In addition, physical security penetration testing conducted in July 2016, for the first time since 2013, found that there had been significant improvements in the security at the Gallery.

The follow-up of recommendations made in the 2015–16 audits of Building Maintenance (three 'significant' rated recommendations) and Information Security Management (one 'fundamental' and two 'significant') confirmed that excellent progress has been made in implementing the recommendations. The latter review reported on some penetration tests had been commissioned by the Gallery to examine its Internal Infrastructure and Web Application. This work identified a number of critical and high risk vulnerabilities that presented a threat to the Gallery. The Gallery responded promptly to the recommendations made and commissioned an onsite re-test, which found that significant progress had been made. There were no critical vulnerabilities identified and the high-level vulnerabilities related either to three legacy systems that were upgraded by end October 2016 or were a requirement to support common business systems. All vulnerabilities highlighted within both the original and the re-test reports are mitigated because they relate to systems accessible only on-site.

Internal Audit's primary role is to give the Accounting Officer and the Trustees an independent and objective opinion on the Gallery's risk management, internal control and governance. Internal Audit issues an Annual Report to the Accounting Officer, which is reviewed by the Accounting Officer and the Audit Committee and which includes Internal Audit's opinion of risk management in the Gallery and a Statement of Assurance on Internal Control.

The Audit Committee provides an annual report to the Board, which includes its opinion on the comprehensiveness, reliability and integrity of assurances received for the purpose of supporting the Board in their overall management of risk. The Audit Committee is of the opinion that the Gallery is responding appropriately to the risks around certain management processes and the documentation of controls.

All Budget Holders provide the Accounting Officer with annual Assurance Statements, and these are subject to Internal Audit review.

Risk assessment

The Accounting Officer and Board of Trustees consider the framework of internal controls and risk management to be effective. The Internal Auditor's assurance to the Accounting Officer and the Audit Committee on the National Gallery's risk management, control and governance processes was that they are generally adequate and effective, with the only limitation being the compression of the internal audit programme into the last few months of the year because of resource constraints. Audit recommendations have been accepted and corrective action is being taken.

The Gallery has suffered no protected personal data incidents during 2016–17 and has made no report on such a loss to the Information Commissioner's office.

Signed:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 4 July 2017

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 4 July 2017

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

I certify that I have audited the financial statements of the National Gallery for the year ended 31 March 2017 under the Museums and Galleries Act 1992. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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/Board, Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Director's responsibilities, the Trustees and the Director 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 Museums and Galleries Act 1992. 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 Gallery's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Gallery; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 National Gallery's affairs as at 31 March 2017 and of its net movement in funds for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report 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: 11 July 2017

Statement of Financial Activities

for the year ended 31 March 2017

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)				Acquisitions for the collection (b)				TOTAL 2017		2016	
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection funds acquisition	Unrestricted funds	Restricted funds endowment	Permanent		Total
Income														
Income from donations and legacies														
Grant-in-Aid	20,432	-	20,432	-	3,660	3,660	-	-	-	20,432	3,660	-	24,092	24,092
Other government grants	-	-	-	-	-	-	-	-	-	-	-	-	-	264
Donations	797	3,131	3,928	-	3,095	3,095	-	605	605	797	6,831	-	7,628	11,887
Legacies	237	-	237	-	-	-	-	59	59	237	59	-	296	834
Income from other trading activities														
Investment income	6,090	18	6,108	-	-	-	-	-	-	6,090	18	-	6,108	5,598
Income from charitable activities														
Exhibitions	12	116	128	-	-	-	55	122	177	67	238	-	305	272
Educational activities	2,550	-	2,550	-	-	-	-	-	-	2,550	-	-	2,550	3,237
	250	-	250	-	-	-	-	-	-	250	-	-	250	185
Total income	30,368	3,265	33,633	-	6,755	6,755	55	786	841	30,423	10,806	-	41,229	46,369
Expenditure on:														
Raising funds	(2,041)	(8)	(2,049)	-	-	-	-	-	-	(2,041)	(8)	-	(2,049)	(1,436)
Other	5	(6)	(1)	-	-	-	(1)	(3)	(4)	4	(9)	(12)	(17)	(21)
	(2,036)	(14)	(2,050)	-	-	-	(1)	(3)	(4)	(2,037)	(17)	(12)	(2,066)	(1,457)
Charitable activities														
Exhibitions	(3,502)	(744)	(4,246)	-	(530)	(530)	-	-	-	(3,502)	(1,274)	-	(4,776)	(4,401)
Broaden our appeal and provide an exceptional visitor experience	(11,703)	(202)	(11,905)	-	(1,770)	(1,770)	-	-	-	(11,703)	(1,972)	-	(13,675)	(14,867)
Preserve, enhance and develop the potential of our collections	(4,320)	(378)	(4,698)	-	(653)	(653)	-	-	-	(4,320)	(1,031)	-	(5,351)	(3,477)
Inspire learning and engagement	(1,715)	(1,278)	(2,993)	-	(259)	(259)	-	-	-	(1,715)	(1,537)	-	(3,252)	(3,166)
Invest in our staff, increase income and care for our physical facilities	(7,586)	(14)	(7,600)	-	(1,141)	(1,141)	-	-	-	(7,586)	(1,155)	-	(8,741)	(8,312)
	(28,826)	(2,616)	(31,442)	-	(4,353)	(4,353)	-	-	-	(28,826)	(6,969)	-	(35,795)	(34,223)
Total expenditure	(30,862)	(2,630)	(33,492)	-	(4,353)	(4,353)	(1)	(3)	(4)	(30,863)	(6,986)	(12)	(37,861)	(35,680)
Realised and unrealised investment gains/(losses)	-	840	840	-	-	-	123	472	595	123	1,312	1,830	3,265	(247)
Net income/(expenditure) before transfers and other recognised gains and losses	(494)	1,475	981	-	2,402	2,402	177	1,255	1,432	(317)	5,132	1,818	6,633	10,442
Transfers	(836)	(400)	(1,236)	-	1,245	1,245	-	(9)	(9)	(836)	836	-	-	-

Statement of Financial Activities for the year ended 31 March 2017 (continued)

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)			Acquisitions for the collection (b)			TOTAL 2017		2016 Total			
	Unrestricted funds	Restricted funds	Total core operations	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection acquisition funds	Unrestricted funds		Restricted funds endowment		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Net income/(expenditure) before other recognised gains and losses (Loss)/gain on revaluation of fixed assets for charity's own use	(1,330)	1,075	(255)	-	3,647	3,647	177	1,246	1,423	(1,153)	5,968	1,818	6,633	10,442
Net movement in funds														
Opening funds	3,363	7,867	11,230	-	273,954	3,811	1,740	297,761	299,501	5,103	579,582	6,670	591,355	579,231
Closing funds	2,033	8,942	10,975	-	277,765	277,765	1,917	299,007	300,924	3,950	585,714	8,488	598,152	591,355

Note

13

21

(a) representing the value of capital assets, excluding the collection, and any restricted funds for future additions.

(b) representing the value, at the date of acquisition, of donations to the collection and picture acquisitions since 1 April 2001, and restricted and designated funds for future acquisitions.

All operations continued throughout the period.

There are no recognised gains and losses other than those shown above.

For full details of the prior year comparatives please see note 2. For an explanation of transfers please see note 21.

This Statement of Financial Activities is shown in this expanded format to enable a reader of the accounts to distinguish between the Gallery's operating activities and those activities relating to capital projects and acquisitions, which due to their high value could otherwise have a distorting effect on the overall presentation of income and expenditure.

The notes on pages 38 to 59 form part of these accounts.

Balance Sheet as at 31 March 2017

	Note	2017		2016	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible Assets	13	277,811		274,128	
Heritage Assets	14	296,433		295,910	
Investments	15a	15,381		11,853	
			589,625		581,891
Current Assets					
Stock		12		37	
Debtors	16	9,419		6,271	
Investments	15b	5,743		7,720	
Cash at bank and in hand	23b	3,340		4,557	
		18,514		18,585	
Creditors					
Amounts falling due within one year	17a	(8,805)		(8,434)	
Provisions					
Amounts falling due within one year	17c	–		–	
Net current assets			9,709		10,151
Total assets less current liabilities			599,334		592,042
Creditors:					
Amounts falling due in more than one year	17b		(1,182)		(687)
Net assets			598,152		591,355
Represented by:					
Restricted funds					
Restricted funds (excluding revaluation reserves)		496,197		490,229	
Revaluation reserves		89,517		89,353	
	21		585,714		579,582
Unrestricted funds					
Designated		1,917		1,740	
General funds		2,033		3,363	
	21		3,950		5,103
Total income funds			589,664		584,685
Endowment funds	21		8,488		6,670
Total funds			598,152		591,355

The notes on pages 38 to 59 form part of these accounts.

Signed:
Dr Gabriele Finaldi
Director and Accounting Officer

Dated: 4 July 2017

Signed:
Sir John Kingman
On behalf of the Board of Trustees

Dated: 4 July 2017

Statement of Cash Flows

for the year ended 31 March 2017

		2017	2016
		£'000	£'000
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	23a	<u>4,097</u>	<u>11,385</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		305	263
Proceeds from the sale of property, plant and equipment		–	–
Purchase of property, plant and equipment		(7,245)	(5,804)
Purchase of heritage assets	14	(88)	(5,056)
Purchase of investments		<u>1,714</u>	<u>(239)</u>
Net cash provided by (used in) investing activities		<u>(5,314)</u>	<u>(10,836)</u>
Change in cash and cash equivalents in the reporting period		(1,217)	549
Cash and cash equivalents at the beginning of the reporting period		<u>4,557</u>	<u>4,008</u>
Cash and cash equivalents at the end of the reporting period		<u>3,340</u>	<u>4,557</u>

The notes on pages 38 to 59 form part of these accounts.

Notes to the Financial Statements

1. Accounting policies

a. Accounting convention

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of certain fixed assets and the inclusion of the investments at market value. The financial statements have been prepared in accordance with the accounts direction issued by the Secretary of State for Culture, Media and Sport, the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), published in 2015, the Government's Financial Reporting Manual and FRS 102. The Gallery is a public benefit entity.

Fixed Asset Investments are stated at market value rather than at historic cost. Any unrealised gains or losses arising from this policy are disclosed in the Statement of Financial Activities (SoFA).

The Trustees are of the view that the Gallery will continue to be a going concern for the foreseeable future and the accounts have therefore been prepared on that basis. There are no material uncertainties about the Gallery's ability to continue.

b. Income

All income is included in the SoFA when the Gallery is legally entitled to the income, receipt is probable and the amount can be quantified with reasonable accuracy.

The Grant-in-Aid from the Department for Culture, Media and Sport is taken to the SoFA in the year in which it is received. Lottery income is recognised as income when the conditions for its receipt have been met. Other grants, donations and legacies are recognised as incoming resources when the Gallery becomes entitled to the income, receipt is probable and the amount is quantifiable.

Gifts in kind intended for use by the Gallery are recognised in the SoFA as income at a reasonable estimate of their current value on receipt. Contractual income is recognised as income to the extent that the Gallery has provided the associated goods or services; income from the corporate membership programme, for example, is recognised over the period of membership. Where income is received in advance, and the Gallery does not have entitlement to these resources until the goods or services have been provided, the income is deferred in the accounts.

Income derived from endowments has been included within unrestricted funds in the SoFA, except where the application of the income is restricted to a particular purpose, in which case the income and expenditure has been appropriately identified in restricted funds. See note 21 for further details.

c. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category, including an apportionment of overhead and support costs. The allocation of these support costs, including overheads, is analysed in note 9.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Exhibitions costs represent the costs of mounting exhibitions. Other direct costs are allocated against the relevant strategic objectives of the Gallery, which are described in detail in the Annual Report.

Governance costs include the costs of providing the governance infrastructure that allows the Gallery to operate, as well as the costs of the strategic planning processes that contribute to the Gallery's future development. These costs include the costs of statutory and internal audit, as well as staff costs.

Liabilities are recognised where legal or constructive obligations mean that it is more likely than not that a transfer of economic benefits will be made.

Irrecoverable VAT is apportioned across the activity cost categories detailed in note 9.

d. Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Gallery and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The funds include bequests made to the Gallery where it was clearly the wish of the donor that the money is to be used for picture purchase but where no legal restriction exists as to the use made of the bequest. The details of each designated fund are disclosed in note 21.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. The aim and use of restricted funds is explained in note 21.

Permanent endowment funds are funds which the donor has stated are to be held as capital.

e. Tangible fixed assets

Tangible fixed assets, other than collection acquisitions, are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material. The Gallery applies a £5,000 threshold to the capitalisation of all fixed assets (2016: £5,000).

All of the Gallery's land, properties and plant and machinery are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 102, section 17 – Property, Plant and Equipment, every five years. The last quinquennial valuation of the Gallery's land, buildings and plant and machinery was carried out by BNP Paribas on 31 March 2014. The valuation included the main Gallery site on Trafalgar Square and the connected Sainsbury Wing. In the years in between the full five yearly valuations the revaluation is based on a desktop exercise.

Depreciation is provided on all tangible assets, other than collection acquisitions, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life:

Freehold buildings	75 years
Plant and machinery	30 years
Equipment	4 years
Collection acquisitions	Not depreciated

Depreciation is charged on capital costs in the year in which the asset is brought into use. Collection acquisitions are capitalised at historic cost and are not depreciated or revalued as a matter of routine.

The Gallery has chosen to account for property, plant and equipment under the revaluation model, in line with FRS 102, section 17 – Property, Plant and Equipment. We consider that there exists no market-based evidence of fair value of the freehold buildings because such property is rarely sold, except as part of a continuing business, therefore land and buildings and plant and machinery are revalued annually on a depreciated replacement cost basis. Movements are taken to the revaluation reserve.

f. Heritage assets

The National Gallery's collection comprises pictures, frames and archive material, and these are treated as heritage assets.

In accordance with the Government Financial Reporting Manual (FRm) – which reflects the requirements of FRS 102, section 34 – Specialised Activities – works of art acquired or donated are capitalised and recognised in the Balance Sheet at their cost or value at the date of acquisition, where such a cost or value is reasonably obtainable.

Additions to the collection are made by purchase, gift of the asset and/or the purchase of assets funded by donation. Works of art donated by third parties are capitalised and accounted for through the donated works of art reserve.

Capitalised heritage assets are not subject to depreciation or revaluation as a matter of routine.

The Trustees of the National Gallery believe that the collection is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. In this regard, it is an asset that cannot be valued in a way that would be meaningful for readers of the financial statements.

The Trustees consider that even if valuations could be obtained for some of the pictures in the collection, the cost of performing such an exercise would not be commensurate with any benefit that could be derived by the user of the financial statements from the inclusion of part of the collection on the Balance Sheet. As a result, no value has been included in the Balance Sheet for heritage assets acquired before April 2001, the point at which additions to the collection were first capitalised.

The treatment required by FRS 102, section 34 results in a partial capitalisation of heritage assets on the arbitrary basis of the date of acquisition. The distorting effect of this inconsistent treatment is exacerbated by the volatility of the international art market and fluctuations in inflation, which will render the value of those capitalised heritage assets less reliable over time. Trustees accept that under the terms of the Museums and Galleries Act 1992 they have no option but to comply with this accounting treatment, but remain very concerned that continuing to capitalise what will always be a very small portion of the collection will mislead readers of the accounts as to the nature and value of the collection as a whole.

Further information on the nature and scale of the Gallery's collection can be found in note 14.

Expenditure which is required to preserve or prevent further deterioration of individual collection items, as well as the costs of managing the collection, are recognised in the Statement of Financial Activities when incurred. More information about preservation and management of the collection can be found in note 14.

g. Investments

Investments held as fixed assets are included at market value at the year end. The SoFA includes any realised and unrealised investment gains and losses arising on revaluation and disposals throughout the year.

Cash held for investment purposes in 30-day and 90-day notice accounts is treated as a current asset investment.

h. Stocks

Tangible stocks are held by the Gallery for use in the staff canteen and membership packs for future membership sales. Stocks for the gift shops situated within the Gallery premises are owned by the National Gallery Company Limited which is a separate legal entity and therefore not consolidated in these accounts. The café and restaurant facilities are also franchised out. Stocks are stated at the lower of cost and net realisable value.

i. Debtors

The measurement of debtors is based on the anticipated recoverable value of cash or services owed to the Gallery at the year end.

j. Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

k. Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

l. Leases

The National Gallery has no finance leases. Costs in relation to operating leases are charged to the SoFA over the life of the lease.

m. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate at the time of the transaction. All exchange differences are taken to the SoFA.

Following political events in 2016 there has been some increase in volatility on foreign currency markets. The Gallery undertakes the majority of its transactions in sterling, and so has limited exposure to foreign currency risk. Any loss on exchange resulting from market volatility should be manageable through general contingency funds, without resulting in any material risk to the business.

The Gallery does hold some investments in US dollar denominated funds and the risk around these investments is discussed further in note 18, financial instruments.

n. Pensions

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. Full details of the pension scheme are included in note 12.

o. Trust funds

These funds represent amounts which have been bequeathed to the Gallery mainly for the purposes of picture acquisition. Income earned on the capital held in restricted funds is recognised in the SoFA as it arises. Any

unutilised income together with the capital is held in a separate restricted fund which can only be used for the purposes originally specified by the donor.

p. Taxation

The Gallery is eligible under the Corporation Tax Act 2010 to seek from HMRC exemption from taxes on income arising from the pursuit of its charitable objectives. HMRC has granted this exemption.

2. Prior year SOFA

	OPERATING INCOME AND EXPENDITURE		Funded capital projects and revaluations (a)				Acquisitions for the collection (b)				TOTAL 2016	
	Unrestricted funds	Restricted funds	Unrestricted funds	Restricted funds	Total capital projects and revaluations	Unrestricted funds	Restricted funds	Total collection funds	Unrestricted funds	Restricted funds	Permanent funds endowment	Total
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income												
Income from donations and legacies												
Grant-in-Aid	20,432	-	20,432	3,660	3,660	-	-	-	20,432	3,660	-	24,092
Other government grants	-	264	264	-	-	-	-	-	-	264	-	264
Donations	1,057	3,576	4,633	1,704	1,704	-	5,550	5,550	1,057	10,830	-	11,887
Legacies	834	-	834	-	-	-	-	-	834	-	-	834
Income from other trading activities												
Investment income	5,173	425	5,598	-	-	-	-	-	5,173	425	-	5,598
Income from charitable activities												
Exhibitions	20	107	127	1	1	42	102	144	62	210	-	272
Educational activities	2,713	524	3,237	-	-	-	-	-	2,713	524	-	3,237
	160	25	185	-	-	-	-	-	160	25	-	185
Total income	30,389	4,921	35,310	5,365	5,365	42	5,652	5,694	30,431	15,938	-	46,369
Expenditure on:												
Raising funds	(1,436)	-	(1,436)	-	-	-	-	-	(1,436)	-	-	(1,436)
Other	(5)	(4)	(9)	-	-	(1)	(2)	(3)	(6)	(6)	(9)	(21)
	(1,441)	(4)	(1,445)	-	-	(1)	(2)	(3)	(1,442)	(6)	(9)	(1,457)
Charitable activities												
Exhibitions	(2,452)	(1,442)	(3,894)	(507)	(507)	-	-	-	(2,452)	(1,949)	-	(4,401)
Broaden our appeal and provide an exceptional visitor experience	(13,094)	(61)	(13,155)	(1,712)	(1,712)	-	-	-	(13,094)	(1,773)	-	(14,867)
Preserve, enhance and develop the potential of our collections	(2,905)	(172)	(3,077)	(400)	(400)	-	-	-	(2,905)	(572)	-	(3,477)
Inspire learning and engagement	(1,735)	(1,066)	(2,801)	(365)	(365)	-	-	-	(1,735)	(1,431)	-	(3,166)
Invest in our staff, increase income and care for our physical facilities	(7,342)	(13)	(7,355)	(957)	(957)	-	-	-	(7,342)	(970)	-	(8,312)
	(27,528)	(2,754)	(30,282)	(3,941)	(3,941)	-	-	-	(27,528)	(6,695)	-	(34,223)
Total expenditure before exceptional items	(28,969)	(2,758)	(31,727)	(3,941)	(3,941)	(1)	(2)	(3)	(28,970)	(6,701)	(9)	(35,680)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditure after exceptional items	(28,969)	(2,758)	(31,727)	(3,941)	(3,941)	(1)	(2)	(3)	(28,970)	(6,701)	(9)	(35,680)
Realised and unrealised investment gains/(losses)	-	(64)	(64)	-	-	(8)	(31)	(39)	(8)	(95)	(144)	(247)
Net income/(expenditure) before transfers and other recognised gains and losses	1,420	2,099	3,519	1,424	1,424	33	5,619	5,652	1,453	9,142	(153)	10,442
Transfers	646	(364)	282	6	6	(162)	(127)	(289)	484	(485)	1	0
Net income/(expenditure) before other recognised gains and losses	2,066	1,735	3,801	1,430	1,430	(129)	5,492	5,363	1,937	8,657	(152)	10,442
(Loss)/gain on revaluation of fixed assets for charity's own use	-	-	-	1,682	1,682	-	-	-	-	1,682	-	1,682
Net movement in funds	2,066	1,735	3,801	3,112	3,112	(129)	5,492	5,363	1,937	10,339	(152)	12,124
Opening funds	1,297	6,132	7,429	270,842	270,842	1,869	292,269	294,138	3,166	569,243	6,822	579,231
Closing funds	3,363	7,867	11,230	273,954	273,954	1,740	297,761	299,501	5,103	579,582	6,670	591,355

3. Grant-in-Aid

	2017	2016
	£'000	£'000
Department for Culture, Media and Sport	24,092	24,092

This money is available for running costs, capital improvements and collection purchases. Of the total figure, £3.7 million (2016: £3.7 million) was restricted for capital purposes.

4. Other government grants

	2017	2016
	£'000	£'000
EU Iperion	–	86
EU Cross Cultivation	–	178
	–	264

5. Donations and legacies

	2017	2016
	£'000	£'000
Donations relating to Gallery activities excluding acquisitions and other capital expenditure can be split as follows:		
Individuals	711	1,337
Trusts and foundations	2,726	3,296
Gifts in kind	491	–
Legacies	237	834
	4,165	5,467

Restricted donations included above total £3,131k (2016: £3,576k).

	2017	2016
	£'000	£'000
Donations relating to collection acquisitions can be split as follows:		
Individuals	18	18
Trusts and foundations	152	4,882
Legacies	59	–
Gifts in kind	–	650
Acceptance-in-lieu	435	–
	664	5,550

	2017	2016
	£'000	£'000
Donations relating to other capital expenditure can be split as follows:		
Trusts and foundations	3,076	1,693
Individuals	19	11
	3,095	1,704
Total donations	7,924	12,721

6. Income from other trading activities

	2017	2016
	£'000	£'000
Activities for generating funds		
Trading	4,728	4,396
Concessions	1,024	854
Miscellaneous	356	348
	6,108	5,598

Trading income includes royalties, venue hire, floor plan sales, exhibition sponsorship, membership subscriptions, cloakroom charging and the corporate membership programme.

7. Investment income

	2017	2016
	£'000	£'000
Income from UK bank deposits	36	49
Income from overseas funds	269	223
	305	272

8. Trustees' remuneration

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2016: £nil). The total value of expenses reimbursed to Trustees amounted to £nil for the year (2016: £nil). The total value of waived expenses based on an estimate of travel costs to attend meetings in the year was £2,566 (2016: £2,676).

9. Total expenditure

	Direct costs	Support costs	Depre- ciation	Total	Total
	£'000	£'000	£'000	2017	2016
				£'000	£'000
Raising funds	1,690	359	–	2,049	1,436
Other Costs	17	–	–	17	21
	<u>1,707</u>	<u>359</u>	<u>–</u>	<u>2,066</u>	<u>1,457</u>
Exhibitions	4,025	221	530	4,776	4,401
Broaden our appeal and provide an exceptional visitor experience	11,028	877	1,770	13,675	14,867
Preserve, enhance and develop the potential of our collections	3,969	729	653	5,351	3,477
Inspire learning and engagement	2,572	421	259	3,252	3,166
Invest in our staff, increase income and care for our physical activities	7,191	403	1,147	8,741	8,312
	<u>28,785</u>	<u>2,651</u>	<u>4,359</u>	<u>35,795</u>	<u>34,223</u>
	<u>30,492</u>	<u>3,010</u>	<u>4,359</u>	<u>37,861</u>	<u>35,680</u>

A breakdown of support costs, and a description of the basis on which these costs have been allocated to each of the activity cost categories, is set out below:

Cost type	Fundraising costs	Exhibitions	Appeal and visitor experience	Preserve, enhance and develop	Learning and engagement	Staff and physical facilities	Total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Finance	14	103	314	51	11	224	717	Direct expenditure of activity
Human Resources	109	21	131	210	131	21	623	Headcount
Information Services	198	38	236	382	236	38	1,128	Headcount
Office Services	31	6	37	60	37	6	177	Headcount
Governance	7	53	159	26	6	114	365	Direct expenditure of activity
	<u>359</u>	<u>221</u>	<u>877</u>	<u>729</u>	<u>421</u>	<u>403</u>	<u>3,010</u>	

Analysis of governance costs:

	2017 £'000	2016 £'000
Staff costs	179	171
Auditor's remuneration	36	37
Internal audit fees	11	24
Cost of meetings	2	3
Legal fees	137	111
	<u>365</u>	<u>346</u>

Total expenditure include the following:

	2017 £	2016 £
Auditor's remuneration:		
Statutory audit	35,600	37,000
Leased rental payments on equipment and office space	<u>624,997</u>	<u>471,720</u>

There was expenditure of £15,000 excluding VAT on 'advisory consultancy' during the year (2016: £nil). All other consultancy fell within the 'business-as-usual' environment and has been classified as 'operational consultancy'.

The National Gallery's auditors neither undertook nor received any remuneration for non-audit work during the year.

Total expenditure also includes a grant to the National Gallery Trust of £1.15m for the furtherance of the National Gallery's charitable objectives (2016: £1.5m).

10. Staff costs

	2017	2016
	£'000	£'000
Wages and salaries	7,512	9,381
Social security costs	772	722
Pension costs	1,456	1,756
Agency staff	477	493
	<u>10,217</u>	<u>12,352</u>

Total spend on contingent labour is disclosed under the heading 'agency staff'. As at 31 March 2017 the Gallery had no off-payroll engagements for more than £220 per day lasting longer than six months (2016: nil). As at 31 March 2016 there was one off-payroll engagement, and during the period to 31 March 2017 this engagement existed beyond six months although it did not reach a year in duration. Similarly, as at 31 March 2015 there was one off-payroll engagement (a different individual), and during the period to 31 March 2016 this engagement existed beyond six months although it did not reach a year in duration. In both cases the individual was paid via a recruitment agency and the Gallery had sought and received assurances that the individual was meeting their income tax and National Insurance obligations.

The total number of employees, including the Director, whose remuneration as defined for taxation purposes amounted to over £60,000 in the year, was:

	2017	2016
	No.	No.
£60,000 – £69,999	7	6
£70,000 – £79,999	2	2
£80,000 – £89,999	1	2
£90,000 – £99,999	1	1
£100,000 – £109,999	–	1
£200,000 – £209,999	1	–
	<u>12</u>	<u>12</u>

All of the employees earning more than £60,000 participated in the Principal Civil Service Pension Scheme (PCSPS) pension schemes (2016: one individual had opted out of the Civil Service Pension arrangements).

The average number of employees during the year, analysed by function was:

	2017	2017	2017	2016
	Permanent	Other	Total	Total
	contracts	contracts	contracts	contracts
	No.	No.	No.	No.
Fundraising	26	4	30	26
Exhibitions	5	4	9	9
Broaden our appeal and provide an exceptional visitor experience	31	12	43	204
Preserve, enhance and develop the potential of our collections	49	12	61	57
Inspire learning and engagement	31	66	97	74
Invest in our staff, increase income and care for our physical facilities	6	3	9	7
Support	28	6	34	34
Governance	2	–	2	2
	<u>178</u>	<u>107</u>	<u>285</u>	<u>413</u>

The employees shown above under 'Other contracts' includes freelance lecturers who provide ad-hoc talks on specialist areas but who do not undertake established posts within the Gallery.

Further information relating to the Director's and senior managers' pay can be found in the Remuneration Report.

11. Compensation payments

There were four exit packages agreed for staff that left between April 2016 and March 2017. This included staff that left on Voluntary Exit or Voluntary Redundancy. There were no staff leaving on Compulsory Redundancy terms during this period (2016: Nil).

Exit package cost band	2017	2017	2016	2016
	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band	Departures agreed under Voluntary Exit	Total cost of exit packages by cost band
	No.	£	No.	£
£0 – £10,000	2	8,072	–	–
£10,000 – £25,000	1	21,790	–	–
£50,000 – £100,000	1	65,315	–	–
Total number of exit packages	4	95,177	–	–

Departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the organisation has agreed early retirements, the additional costs are met by the organisation and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

12. Pension costs

Staff of the National Gallery are employed under broadly the same conditions of service as Civil Servants, to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

All present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha”.

PCSPS and alpha are unfunded multi-employer defined benefit schemes. The National Gallery is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2017, employer’s contributions of £1,375,336 were payable to the PCSPS (2016: £1,692,254) at one of four rates in the range 20% to 24.5% of pensionable pay based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer’s contributions of £58,257 (2016: £63,508) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,262 (2016: £2,360), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £5,309 (2016: £4,969).

Further information relating to the Director’s and senior managers’ pay can be found in the Remuneration Report.

13. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Equipment £'000	Total £'000
Cost or valuation					
As at 1 April 2016	206,758	73,947	8	4,315	285,028
Additions	4,264	2,629	–	985	7,878
Disposals	–	–	–	(205)	(205)
Revaluation	(160)	324	–	–	164
Transfers	–	–	(8)	8	–
As at 31 March 2017	<u>210,862</u>	<u>76,900</u>	<u>–</u>	<u>5,103</u>	<u>292,865</u>
Depreciation					
As at 1 April 2016	2,358	4,747	–	3,795	10,900
Disposals	–	–	–	(205)	(205)
Charge for year	1,304	2,553	–	502	4,359
As at 31 March 2017	<u>3,662</u>	<u>7,300</u>	<u>–</u>	<u>4,092</u>	<u>15,054</u>
Net book value					
31 March 2017	<u>207,200</u>	<u>69,600</u>	<u>–</u>	<u>1,011</u>	<u>277,811</u>
31 March 2016	<u>204,400</u>	<u>69,200</u>	<u>8</u>	<u>520</u>	<u>274,128</u>

The freehold of the National Gallery, including both the Wilkins Building and the Sainsbury Wing, was transferred from the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994.

The freehold property was independently valued as at 31 March 2017 by Mark Thompson BA (Hons) MRICS IRRV of BNP Paribas Real Estate, (the "Valuer") acting in the capacity of an external valuer. The valuation was in accordance with the requirements of the Government's Financial Reporting Manual, the Statement of Recommended Practice 'Accounting and Reporting by Charities, the current RICS Valuation – Professional Standards and FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The valuation was on the basis of Fair Value, subject to the following assumption:

- That the property would be sold as part of the continuing business (or entity) in occupation.

The Valuer's opinion of Fair Value was primarily derived using:

- The depreciated replacement cost method of valuation because the specialised nature of the asset means that there are no market transactions of this type of asset except on the basis of a sale as part of the business or entity in occupation.

The Valuer has reported a total Fair Value of £276,800,000 (two hundred and seventy six million eight hundred thousand pounds).

The financial effect of revaluing other assets (excluding plant and machinery) was considered to be immaterial in terms of the overall net book value and therefore they have been disclosed at their historic cost value.

The net book value at 31 March 2017 represents fixed assets held for charitable purposes only.

14. Heritage assets

The National Gallery houses one of the greatest collections of Western European painting in the world. These pictures belong to the public and entrance to see them is free. The Gallery aims to tell the story of European painting as completely as possible and at the highest possible level. The collection contains over 2,300 works, including many iconic masterpieces such as van Eyck's *Arnolfini Portrait*, Piero della Francesca's *Baptism*, Holbein's *Ambassadors*, Leonardo's *Virgin of the Rocks*, Vermeer's *Young Woman Standing at a Virginal*, Velázquez's *Rokeby Venus*, Turner's *Fighting Temeraire* and Van Gogh's *Sunflowers*. The work of some of the greatest painters, including Raphael, Titian, Rembrandt, Monet and Cezanne, is represented in great depth, with a range of works of varying types and from different periods of the artists' careers.

A full description of the collection, including zoomable images of every picture, can be found on the National Gallery's website.

Heritage assets capitalised in the Balance Sheet are shown below:

	Cost £'000	Valuation £'000	Total £'000
As at 1 April 2016	28,166	267,744	295,910
Additions	88	435	523
As at 31 March 2017	<u>28,254</u>	<u>268,179</u>	<u>296,433</u>

All heritage assets acquired since 1 April 2001 have been included in the Balance Sheet at their cost or value at the date of acquisition.

Where heritage assets have been acquired under the Acceptance in Lieu Scheme or Cultural Gifts Scheme, valuations are provided by the Arts Council England. Where pictures have been donated, bequeathed or acquired other than on the open market, valuations have been performed by the Gallery's curators, who are recognised experts in their fields, or by external valuers. The primary method of valuation involves the analysis of recent market values for comparable works, together with a detailed technical assessment of the painting's physical condition to arrive at a reasonable valuation. However, there is an inherent limitation to valuation of works acquired by the National Gallery, simply because by their nature they are usually unique and iconic works of art for which little or no comparable market data exists.

Additions during the year ending 31 March 2017 comprise:

- Alexandre Calame's *At Handeck* presented by Mr Asbjørn Lunde through the American Friends of the National Gallery at a value of £60,000.
- Johan Christian Dahl's *The Lower Falls of the Labrofoss* presented by Mr Asbjørn Lunde through the American Friends of the National Gallery at a value of £275,000.
- Vilhelm Peter Carl Petersen's *Oetzthal* presented by Peter Hecht in memory of Erika Langmuir at a value £25,000.
- Louis Jean François Lagrenée's *Maternal Affection*, a gift from the Estate of Brian Sewell at a value £75,000.
- 11 frames for various pictures at an aggregate cost of £87,550.

Five year financial summary of acquisitions

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Donated assets and acquisitions funded by donations	523	5,604	3,873	17,386	24,728
Other acquisitions	–	103	277	115	491
Total cost/value of acquisitions	<u>523</u>	<u>5,707</u>	<u>4,150</u>	<u>17,501</u>	<u>25,219</u>

Significant additions over the last five years include:

- Giovanni da Rimini *Scenes from the Lives of the Virgin and other Saints* acquired with a generous donation from Ronald S. Lauder in 2015 at a cost of £4,885,188. The painting is divided into four narrative scenes, each of which depicts episodes from the lives of holy figures key to late Medieval Christian devotion.
- Luca Signorelli *Man on a Ladder* Accepted by HM Government in Lieu of Inheritance Tax and allocated to the National Gallery in 2016 at a value of £630,000. The painting is part of a larger altarpiece depicting the Lamentation over Christ's dead body.
- Jean-Baptiste-Camille Corot *The Four Times of Day: 'Morning', 'Noon', 'Evening' and 'Night'* bought with the assistance of the Art Fund (with a contribution from The Wolfson Foundation), in 2014, at a cost of £3,325,000.
- Italian, Venetian – *Christ carrying the Cross* was donated to the National Gallery by Angus Neill. The picture was valued for indemnity purposes at £500,000 when it was first received by the Gallery on long-term loan in autumn 2014. The unknown Venetian painter was influenced by Giovanni Bellini and Giorgione.
- George Bellows' *Men of the Docks* which was purchased at a cost of \$25.5 million (£15,436,000). The painting was bought with a grant from the American Friends of the National Gallery, made possible by Sir Paul Getty's fund, and by private appeal, 2014.

- The archive of Thos. Agnew & Sons was acquired by The National Gallery Trust and donated to the National Gallery. The firm of Agnew's has a long history dating back to 1817 and during the later nineteenth century and early twentieth century was one of two major London dealers in old master paintings. The archive has been included in the accounts at a value of £300,000. The post 1984 section of the archive remains on loan to Agnews, but this is not viewed as being significant in the context of the valuation of the archive as a whole.

Heritage assets not capitalised on the Balance Sheet

The proportion of the collection not capitalised on the Balance Sheet is set out below:

	Total number of items	Number capitalised	% capitalised	Number not capitalised	% not capitalised
Pictures	<u>2,363</u>	<u>78</u>	<u>3%</u>	<u>2,285</u>	<u>97%</u>

The vast majority of the Gallery's collection is not capitalised. The nature and scale of the collection can be viewed in detail on the Gallery's website.

Heritage asset management

Acquisitions

The acquisition of pictures and frames is one of the Gallery's statutory objectives. Acquisitions are essential to enhance the collection now and for future generations. In particular, acquisitions enable the Gallery to develop its presentation of the history of Western European painting.

The Gallery's principal aims in making acquisitions are as follows:

- to obtain masterpieces of outstanding quality;
- to develop the Gallery's uniquely coherent narrative of Western European painting beyond the canon established during the nineteenth century; and
- to build on the Gallery's strengths.

All acquisitions, whether by purchase or donation, require the approval of the Board of Trustees. Prior to approval, potential acquisitions are subject to detailed checks concerning the ownership, provenance, condition and value of the picture, taking into account guidelines published by the Department for Culture, Media and Sport (*Combating Illicit Trade: due diligence guidelines for museums, libraries and archives on collecting and borrowing cultural material*).

Preservation

The most effective strategy for preservation is the application of principles of preventive conservation, largely achieved through environmental and light control. These principles are the subject of research and refinement and are specified by the Scientific and Conservation departments working with the Gallery's engineers. In addition to conservation treatments, the Conservation department's work includes assessment of the collection, preventive maintenance and minor treatment such as blister laying, surface cleaning and re-varnishing. Except in an emergency, all proposals for major conservation work including cleaning are referred to the Board, both for permission to begin and on completion, for approval of the work done and for the painting's return to exhibition. All minor work is discussed with and agreed by the relevant curator.

Detailed information on the Gallery's preservation policies can be found in the Conservation Risk Management Statement and Preventive Conservation Risk Management Statement on the Gallery's website.

Management

The Gallery's collection comprises 2,363 paintings and approximately 2,470 frames. As at 31 March 2017 1,150 (49%) paintings were on public display at the Gallery, 94 (4%) on loan elsewhere and the remainder were in the conservation and photographic studios or in storage.

The National Gallery is committed to the widest possible access to the collection which it houses, conserves and displays. Details of the policy adopted by the Gallery to provide access can be found in the Access Statement on the Gallery's website.

The Museum System (TMS), a sophisticated collections management system, is used by a number of departments to catalogue the collection and to manage acquisitions, location recording, exhibitions and loans. Location

recording in TMS is a core part of the processes involved in moving paintings within and into and out of the National Gallery. This is supported by daily inventory checks of the public display galleries and regular checks of other areas where pictures may be stored.

Disposals

The Trustees of the Gallery have a statutory responsibility to hold and maintain the collection of pictures in trust for future generations in accordance with the Gallery's charitable objectives. The Trustees are not empowered to dispose of any pictures: the collection is inalienable. Any disposal of an item in the collection could only be made by transfer to another national collection in accordance with the provisions of the Museums and Galleries Act 1992.

15. Investments

a. Fixed asset investments

	2017	2016
	£'000	£'000
Market value as at 1 April	11,853	11,886
Investment portfolio additions	263	214
Realised and unrealised (losses)/gains	<u>3,265</u>	<u>(247)</u>
Market value as at 31 March	<u>15,381</u>	<u>11,853</u>

Fixed asset investments comprise the following:

	2017	2016
	£'000	£'000
Authorised funds	14,658	11,391
Cash held as part of the investment portfolio	<u>723</u>	<u>462</u>
	<u>15,381</u>	<u>11,853</u>

Fair value reserve:

	2017	2016
	£'000	£'000
Investment in funds at historic cost	8,087	8,086
Fair value reserve	6,571	3,305
Cash held as part of the investment portfolio	<u>723</u>	<u>462</u>
Market value of investments	<u>15,381</u>	<u>11,853</u>

b. Current asset investments

	2017	2016
	£'000	£'000
Current asset investments	<u>5,743</u>	<u>7,720</u>
Movement in the year		
Total as at 1 April	7,720	7,695
Net transfers in year	<u>(1,977)</u>	<u>25</u>
Total as at 31 March	<u>5,743</u>	<u>7,720</u>

Cash held for investment purposes in 30-day and 90-day notice accounts is treated as a current asset investment.

16. Debtors

	2017	2016
	£'000	£'000
Amounts falling due within one year		
Trade debtors	587	1,271
Other debtors	353	533
Tax and social security	1,584	1,139
Prepayments and accrued income	6,895	3,328
	<u>9,419</u>	<u>6,271</u>

17. Creditors**a. Creditors: amounts falling due within one year**

	2017	2016
	£'000	£'000
Trade creditors	2,623	2,790
Other creditors	695	1,867
Accruals and deferred income	5,487	3,777
	<u>8,805</u>	<u>8,434</u>

b. Creditors: amounts falling due in more than one year

	2017	2016
	£'000	£'000
Amounts falling due in more than one year		
Accruals and deferred income	1,182	687
	<u>1,182</u>	<u>687</u>
In more than one year but not more than two years	131	130
In more than two years but not more than five years	1,051	557
	<u>1,182</u>	<u>687</u>

The movement on the deferred income account in the year was as follows:

	2017	2016
	£'000	£'000
As at 1 April	2,695	1,673
Amounts released from previous years	(1,882)	(1,552)
Income deferred in the current year	1,985	2,574
As at 31 March	<u>2,798</u>	<u>2,695</u>

Deferred income released during the year related to acquisitions where the transactions were completed during the year. Income deferred in the year includes grants restricted to future activities, as well as corporate membership, exhibition sponsorship and other membership income.

c. Provisions: amounts falling due within one year

The movement on the provisions account in the year was as follows:

	2017	2016
	£'000	£'000
As at 1 April	–	5
Charged in the year	–	–
Released in the year	–	(5)
As at 31 March	<u>–</u>	<u>–</u>

18. Financial instruments

The Gallery's financial instruments, as defined in FRS 102 section 11, are set out by category below:

	Measured at cost £'000	Measured at fair value £'000
At 31 March 2017		
Cash	3,340	–
Current asset investments	5,743	–
Trade and other debtors	1,735	–
Fixed asset investments	–	15,381
Trade and other creditors	(4,842)	–
	<u>5,976</u>	<u>15,381</u>
At 31 March 2016		
Cash	4,557	–
Current asset investments	7,720	–
Trade and other debtors	2,443	–
Fixed asset investments	–	11,853
Trade and other creditors	(4,291)	–
	<u>10,429</u>	<u>11,853</u>

Information on the Gallery's overall approach to financial risk management may be found in the investment, reserves, and risk sections of the Annual Report. The significance of financial instruments to the risk profile is as follows:

Credit risk

The Gallery's credit risk arises from its investments, bank deposits, and trade and other debtors. Other than cash within the investment portfolio, term deposits and cash holdings are spread across regulated UK banks. The Gallery has not suffered any loss in relation to cash held by its bankers. Trade debtors of £0.6 million (2016: £1.3 million) are not considered a significant risk since major customers are familiar to the Gallery. The Gallery's debtor profile is reviewed regularly to ensure that prompt action is taken, and a provision is made at the end of the year against any debts considered doubtful. No provision was deemed necessary this year (2016: £nil). Write-offs in the year for bad debts amounted to £1,000 (2016: £89,000).

Liquidity risk

The Gallery's reserves policy, set out in the Annual Report, helps provide a safeguard against volatile and unpredictable income streams. Grant-in-aid from the Department for Culture, Media and Sport represents 58% (2016: 52%) of the Gallery's income before transfers and revaluations. Current asset investments of £5.7m (2016: £7.7m) and a further £15.4m (2016: £11.9m) of readily realisable fixed asset investments help mitigate exposure to liquidity risk. The Gallery's investments are monitored by a sub-committee of the Board which meets regularly to consider liquidity requirements over the medium term and review fund performance in discussion with the fund managers.

*Market risk***a. Interest rate risk**

The Gallery has no borrowings. Interest receivable is less than 0.1% of incoming resources before transfers and revaluations. The interest rate is not considered to be a significant risk for the Gallery.

b. Price risk

The Gallery is exposed to market fluctuations on its investments, mitigated through diversification. This risk is monitored by a sub-committee of the Board, as described in the investment policy above. For non-investment transactions, exposure is reduced by competitive tendering and the securing of multi-year fixed-price contracts where appropriate.

c. Foreign currency risk

At the end of the year £14.4 million (2016: £11.1 million) was invested in US dollar denominated funds. Given the value compared to overall net assets, exposure to currency fluctuations is not considered significant enough to require sensitivity analysis.

19. Financial commitments*Capital Commitments*

The Gallery has no capital commitments (2016: £nil).

Commitments under operating leases

As at 31 March 2017 the National Gallery had commitments under operating leases for photocopiers and rent payable as set out below:

	2017	2016
	£'000	£'000
Operating leases which expire:		
Within 1 year	626	470
Between 2 and 5 years	1,881	1,740
Over 5 years	<u>–</u>	<u>–</u>

20. Contingent liability

As at 31 March 2017 the Gallery recognised a contingent liability in respect of six (2016: three) outstanding public liability claims that are currently being investigated by the Gallery's advisers. The claims are for injuries that are alleged to have occurred after slips or falls in Gallery spaces. For each of these claims the likelihood of the Gallery being found liable is not assessed as probable, but the insurer has placed reserves on three (2016: two) of the claims; and for the remainder there is no reserve.

In addition, the Gallery continues to recognise an unquantifiable liability in respect of funds received from Ronald S. Lauder. These funds enabled the Gallery to purchase the painting '*Scenes from the Lives of the Virgin and other Saints*' by Giovanni da Rimini, in July 2015. The Deed between the Gallery and the Donor states that a part of the consideration is in relation to the lease of the Painting to the Donor in the period from the acquisition of the Painting for the remainder of the Donor's lifetime. However, the Gallery is unable to measure the value of the obligation, so it has been recorded as an unquantifiable contingent liability at 31 March 2017 as it was in the prior year.

The National Gallery is involved in legal action in the United States concerning the rightful ownership of '*Portrait of Greta Moll*' by Henri Matisse. The descendants of Greta Moll have filed a lawsuit against the National Gallery and Her Majesty's Government (HMG) and are claiming possession of the painting or at least \$30 million as an alternative to the painting being returned. The National Gallery and HMG have appointed US lawyers to prepare a Motion to Dismiss on the basis of absence of jurisdiction and any viable cause of action. The National Gallery maintains that it has good title to the picture.

21. Statement of funds

	At 1 April 2016 £'000	Income £'000	Expendi- ture £'000	Net movement on invest- ments and re- valuation £'000	Transfers between reserves £'000	At 31 March 2017 £'000
Unrestricted funds						
Designated funds:						
Designated funds for the purchase of heritage assets	1,483	9	–	52	–	1,544
Trust funds designated for the purchase of heritage assets	257	46	(1)	71	–	373
Total designated funds	1,740	55	(1)	123	–	1,917
General funds	3,363	30,368	(30,862)	–	(836)	2,033
Total unrestricted funds	5,103	30,423	(30,863)	123	(836)	3,950
Restricted income funds						
Capital assets reserve	184,601	6,755	(4,353)	–	1,245	188,248
Building revaluation reserve	54,485	–	–	(160)	–	54,325
Plant and machinery revaluation reserve	34,868	–	–	324	–	35,192
Donated works of art reserve	248,157	574	–	–	(97)	248,634
Heritage assets acquired	47,734	–	–	–	88	47,822
Exhibitions programme fund	467	955	(722)	–	(141)	559
Running cost fund	2,779	2,207	(1,902)	–	(259)	2,825
Curatorial fund	1,561	6	–	–	–	1,567
Collection purchases fund	146	91	–	–	–	237
Collection purchases trust fund	1,724	121	(3)	472	–	2,314
Art historical research	3,060	97	(6)	840	–	3,991
Total restricted income funds	579,582	10,806	(6,986)	1,476	836	585,714
Endowment funds						
Collection purchase endowments	3,656	–	(7)	1,003	–	4,652
Art historical research endowment	1,238	–	(2)	340	–	1,576
General purpose endowments	1,776	–	(3)	487	–	2,260
Total endowment funds	6,670	–	(12)	1,830	–	8,488
Total funds	591,355	41,229	(37,861)	3,429	–	598,152

Transfers between reserves relate to the matching to the relevant fund of expenditure incurred and allocated against unrestricted funds in earlier years as well as to the purchase of fixed and heritage assets.

The statement of funds at 31 March 2017 comprises a number of individual funds which divide into distinct categories as defined below:

Unrestricted funds

- Funds designated for the purchase of heritage assets are for the acquisition of works of art for the collection.
- General funds may be applied to general use and are expendable at the discretion of the Trustees.

Restricted income funds

- Capital assets reserve comprises funds in respect of the Gallery's land, buildings and plant and machinery.
- Revaluation reserves reflect the effect of revaluations of tangible fixed assets over time.
- The donated works of art reserve represents the value of works of art donated to the collection subsequent to 1 April 2001 and capitalised as well as donations for future acquisitions.
- Heritage assets acquired represents the cost at the date of acquisition of works of art acquired since 1 April 2001. These are treated as restricted because the collection is inalienable.
- Exhibitions programme funds are those raised specifically to support the Gallery's exhibition programme.
- Running cost funds are those raised to support other Gallery projects, including educational initiatives.

- Curatorial funds are those raised specifically for the financing of curatorial activities, including the funding of certain curatorial posts.
- Collection purchase funds comprise bequests received specifically for the acquisition of works of art for the collection.
- Art historical research represents funds raised specifically towards the financing of curatorial research into the collection.

Endowment funds

- Collection purchase endowments comprise funds donated where the income may be applied only to collection purchases, while the capital must be retained in the endowment.
- Art historical research endowment represents funds donated where the income may be applied only towards the cost of research into the collection, while the capital must be retained in the endowment.
- General purpose endowments comprise funds donated where the income may be applied to general expenditure, while the capital must be retained in the endowment.

22. Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted Funds £'000	Permanent Endowment £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
Tangible assets	46	277,765	–	277,811	274,128
Heritage assets	–	296,433	–	296,433	295,910
Fixed asset investments	588	6,305	8,488	15,381	11,853
Other net assets/(liabilities)	3,316	5,211	–	8,527	9,464
Total net assets	<u>3,950</u>	<u>585,714</u>	<u>8,488</u>	<u>598,152</u>	<u>591,355</u>

23. Note to the cash flow statement

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

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

	2017 £'000	2016 £'000
Net income/(expenditure) for the reporting period (as per the SoFA)	6,633	10,442
Adjustments for:		
Donations to the collection	(435)	(650)
Depreciation charges	4,359	3,941
(Gains)/losses on investments	(3,265)	247
Dividends, interest and rents from investments	(305)	(263)
(Increase)/decrease in stocks	25	(8)
(Increase)/decrease in debtors	(3,148)	(627)
Increase/(decrease) in creditors	233	(1,697)
Net cash provided by (used in) operating activities	<u>4,097</u>	<u>11,385</u>

b. Composition of the cash balance at the end of the year:

	2017	2016
	£'000	£'000
Balance with Government Banking Services	511	1,455
Balances held with commercial banks	2,813	3,067
Cash in hand	16	35
Cash balance at end of year	<u>3,340</u>	<u>4,557</u>

24. Related party transactions

The National Gallery is a Non-Departmental Public Body whose sponsor department is the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year, the National Gallery has had various material transactions with DCMS and with other entities for which DCMS is regarded as the parent department.

The Gallery considers the National Gallery Trust, the NGT Foundation and the American Friends of the National Gallery, London, Inc to be related parties because in each case one or more Trustees of the National Gallery also sit on the Board of the related party. All three entities are entirely separate charities with independent Boards, the majority of whose members are unconnected with the National Gallery. None of the related parties, or their subsidiary undertakings, is consolidated into the accounts of the National Gallery.

All balances with related parties are settled in cash.

The Charity SORP 2015 also requires disclosure of donations received from Trustees and other related parties. During the year, £nil (2016: £57,300) was received from Trustees and £nil (2016: £1,050) from Executive Directors in respect of general donations. In addition, a Trustee, donated £nil (2016: £6,000 for the purchase of an XRF scanner).

The National Gallery also entered into material related party transactions with other related parties during the year, as set out below:

Related party	Nature of relationship	Value of income received during the year	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£	£	£	
American Friends of the National Gallery, London, Inc	Hannah Rothschild and Lord King are Directors of the related party, and served as Trustees of the National Gallery during the year.	897,532	–	–	UK administrative expenses for the year ended 31 December 2016
British Library	Entity sponsored by DCMS.	165	81	–	Rechargeable expenses, books & publication costs
British Museum	Entity sponsored by DCMS.	200	(4,595)	240	Income for marvelsealing for an exhibition and over accrual of Internal audit fee at 31 March 2016.
Courtauld Institute of Art	Gabriele Finaldi, Director of the National Gallery, is a member of the Board.	–	22	(101)	Periodicals
Society of Dilettanti Charitable Trust	Charles Sebag-Montefiore, a Trustee at the National Gallery, is Trustee & Treasurer of the related party.	600	–	300	Group lectures
Historic Royal Palaces	Entity sponsored by DCMS.	90	–	–	Rechargeable expenses
Historic England	Entity sponsored by DCMS.	–	71	–	Reproduction fee (Painters' Paintings exhibition)
Imperial War Museum	Entity sponsored by DCMS.	–	8,682	1,094	Museum subscription

Related party	Nature of relationship	Value of income received during the year	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£	£	£	
Metropolitan Museum of Art	Katrin Henkel, Trustee of the National Gallery, is a member of the Visiting Committees of Prints & Drawings and Sherman Fairchild Centre for Works On Paper and Photograph Conservation	254	3,962	305	Rechargeable expenditure and costs associated with Botticini exhibition
National Gallery Company Ltd	Lance Batchelor, Chair of the related party, served as Trustee of the National Gallery during the year. Gabriele Finaldi and Chris Walker Directors of NG, served as Non-Executive Directors of NGC during the year.	1,515,159	411,496	455,986	Rent for commercial space within the National Gallery, grants paid and payment for publications and other services.
National Gallery Trust	Hannah Rothschild and Lance Batchelor, Trustees of the related party served as Trustees of the National Gallery during the year.	1,970,975	1,150,000	818,361	Grants for specific projects and accounting fee received from NGT, a grant due to NGT and other amounts due from NGT.
National Portrait Gallery	Entity sponsored by DCMS.	220,318	283	36,670	Utility supply and electrical main upgrade recharges.
Natural History Museum	Entity sponsored by DCMS.	–	240	–	Miscellaneous expenditure
Northumberland Estates	Matt Ridley, Trustee of the related party, is the husband of Anya Hulbert, Trustee of the National Gallery.	–	14,000	(16,800)	Preparation of paintings for Michelangelo & Sebastiano exhibition
State Hermitage Museum	Gabriele Finaldi, Director of the National Gallery, is a member of the International Advisory Board	–	901	–	Costs relating to Michelangelo & Sebastiano exhibition
Science Museum	Entity sponsored by DCMS	75	–	90	Miscellaneous income
Tate	Hannah Rothschild, Lisa Milroy and Monisha Shah are Trustees of the related party. They all served as Trustees of the National Gallery during the year.	100	951	–	Miscellaneous income and training expenses
The Burlington Magazine	Gabriele Finaldi, Director of the National Gallery, is a Trustee of the related party	–	1,050	–	Magazine subscription and recruitment costs
The National Archives	Entity sponsored by DCMS.	50	3,005	–	Miscellaneous income and digital copies of board minutes
The NGT Foundation	Hannah Rothschild and Katrin Henkel, Trustees of the related party, served as Trustees of the National Gallery during the year.	34,790	629,806	(82,161)	Rental of office space, annual management and accounting fee recharge.

Related party	Nature of relationship	Value of income received during the year	Value of expenditure during the year	Outstanding balances due from/(to) related party at year end	Nature of transaction
		£	£	£	
The Royal Academy of Arts	Lisa Milroy is a Royal Academician at the related party and serves as a trustee at the National Gallery	(665)	572	–	Exhibition costs relating to Painters' Paintings and Beyond Caravaggio
The Rothschild Foundation	Hannah Rothschild, Chair of the National Gallery Board, is a Director and Trustee of the related party	–	–	300,000	XRF Scanner
The Walpole Society	Charles Sebag-Montefiore is a Member of the related party and a Trustee at the National Gallery	–	60	–	Periodicals
Victoria and Albert Museum	Entity sponsored by DCMS	–	315	–	Royalties and image usage fees
Wolfson Foundation	Family members of various Trustees are also Trustees of the related party	200,000	–	200,000	Grant

25. Post Balance Sheet events

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date shown on the audit certificate. There were no post balance sheet events to report.

