

# National Portrait Gallery Annual Report and Accounts 2016-17

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

Ordered by the House of Commons to be printed on 19  
July 2017



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# **TRUSTEES' AND ACCOUNTING OFFICER'S ANNUAL REPORT**

## **INTRODUCTION**

The Trustees of the National Portrait Gallery have pleasure in submitting their Annual Report and Accounts for the year ended 31st March 2017. The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992 and are presented in accordance with the reporting requirements of the Charities Statement of Recommended Practice (FRS 102).

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

The Annual Report sets out:

- the Gallery's structure, governance and management, including administrative details of the Gallery, its Trustees and advisers; and
- our aims and objectives, our strategy in achieving them, highlights of our performance during the past year (including performance against the indicators agreed with the Department for Culture, Media and Sport) and our plans for future periods.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT (INCLUDING ADMINISTRATIVE DETAILS)**

### **Constitution**

The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. This act superseded the Treasury Minute of 2 December 1856 by which the Gallery was originally established. The National Portrait Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011, and is a public benefit entity.

### **History and Background**

The National Portrait Gallery was founded in 1856 to collect and display portraits of eminent British men and women. The first acquisition to be registered was the portrait of Shakespeare, known as the 'Chandos' portrait.

Today the Gallery's collection is among the largest and most prestigious collections of portraits in the world in all media. The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,402 portraits of the most famous people in British history. Of these more than 4,084 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere. In addition, there are some 8,318 works on paper, shown on a rotating basis of about 300 items a year.

Alongside the permanent collections displays which are hung chronologically, the Gallery presents a wide range of temporary exhibitions and small displays on a varied range of subjects, media and time periods. The Gallery's Learning department runs extensive education and outreach programmes for schools, colleges, families and visitors in general, promoting access to and understanding of the collections to a broad range of audiences.

From its earliest days the Gallery has also collected extensive reference material relating to portraiture which has developed into a unique national resource. In the 1960s the Photographs Collection was revitalised and in 1969 portraits of living people were for the first time regularly admitted to the collection. This material is used for study and exhibition, and works have been extensively reproduced in books and other publications. There are more than 335,000 images in the Reference Collections, divided between the Archive and Library's Reference Collection of about 85,000 items, mainly prints but also 2,500 drawings, 75 paintings and 140 sculptures, almost all

relatively modest in nature, and the Photographs Collection of more than 250,000 photographs and historic negatives. The Heinz Archive and Library also contains 40,000 books and manages the Gallery's Records and Collected Archives.

Access to the permanent collections is free; however most of our temporary exhibitions are ticketed providing an increasingly essential source of revenue. Normally items not on display can be made available for viewing via the Collections Registrar. The Collection is also made widely available via the Portrait Explorer in the Digital Space (formerly the IT Gallery), on the internet (at [www.npg.org.uk](http://www.npg.org.uk)) and in Gallery and other publications.

The Collection has been housed at St Martin's Place since 1896. The building, designed by Ewan Christian, was the gift of William Henry Alexander. An extension was built in the 1930s from funds provided by Sir Joseph (later Lord) Duveen. 1993 saw the opening of a permanent home in Orange Street for the Gallery's archive and library, funded by the Drue Heinz Foundation, together with new offices and a conservation studio. The most recent addition was the Ondaatje Wing in 2000, providing additional gallery space, improved visitor facilities and a new lecture theatre, funded by Sir Christopher Ondaatje, the Heritage Lottery Fund and several donors. In 2004, the refurbished Regency display in the Weldon Galleries completed a ten year programme of buildings renewal.

The Gallery has ongoing national partnerships with Montacute House in Somerset, Beningbrough Hall in Yorkshire (both National Trust properties) and at Bodellwyddan Castle in Clwyd (by arrangement with Bodellwyddan Castle Trust) until March 2017. Partnerships have also been formed with museums and galleries in the North East and the South West of England, and there are ongoing loan and display arrangements with other galleries and historic houses.

## **Structure, Governance and Management**

The Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport (DCMS). A Board of sixteen Trustees (including the Gallery's two *ex-officio* Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. Outside Trustee meetings, they will make themselves available for consultation and specialist advice, whenever appropriate, as well as acting externally as advocates for the Gallery and assisting in the processes of fund-raising. There are committees of the Board which cover audit and compliance and the investment of the Gallery's reserves.

A list of Trustees during 2016/17 and up to the date on which the accounts were signed is at page 30. Following their appointment, new Trustees are given a Trustees' handbook, policy papers and a full induction about the Gallery and their terms of appointment, duties, rights and responsibilities. There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held, which is open to the public, and can be accessed in The Heinz Archive and Library.

The Director of the Gallery is Dr Nicholas Cullinan. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning and its external representation. The Director leads the Management Team, which carries responsibility for developing the work of the Gallery, and debating and deciding on particular initiatives within the policies set by the Board. The Management Team takes responsibility for evaluating current work and initiatives, as well as reviewing policies, and is supported by a Planning Team, which reviews the Strategic and Corporate Plans, the Corporate Risk Register and monitors budgets and financial matters. The Management Team meets fortnightly and also has an annual strategic review day.

The Gallery has regular Curatorial meetings, where all matters relating to acquisitions and loans are discussed, an Exhibitions Committee and groups for the development of Displays, Design, Publications, Digital Programmes, National Programmes, Visitor Experience and Interpretation.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited. The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director.

In January 2012 HRH the Duchess of Cambridge became Patron of the National Portrait Gallery. In spring 2012 an independent foundation trust, The Portrait Trust, was established to work alongside the Gallery in promoting the public's enjoyment, understanding and learning through the medium of portraiture. A Memorandum of Understanding was agreed in January 2015 between the Portrait Trust and the Gallery which clarified how the two organisations would work together. The Gallery also agreed to provide the Trust with an annual grant of £20,000, over the three years 2015/16 to 2017/18, in order for the Trust to be able to cover its running costs and pursue its charitable objectives.

Details of the Gallery's external advisers are at pages 30 and 31.

The Gallery's address is 2 St Martin's Place, London, WC2H 0HE.

## **OBJECTIVES**

### **Objects and Key Policies of the Gallery**

The overall aims of the Gallery, derived from the Museums and Galleries Act 1992, are:

- To promote through the medium of portraits the appreciation and understanding of the men and women who have made and are making British history and culture.
- To promote the appreciation and understanding of portraiture in all media.

In pursuing these aims the Gallery recognises the need to make the most efficient use of its assets and to generate income to supplement government grants. This income is generated from activities such as sponsorship, corporate and individual membership schemes, ticketed exhibitions, publishing and trading. Grant-giving bodies provide welcome support for acquisitions and projects. The Gallery has had a number of successful fundraising campaigns for its capital projects and major acquisitions.

The Gallery does not charge for general access to permanent Collection displays. Temporary exhibitions are partially funded by sponsorship, by admission charges in the Wolfson and Porter Galleries, and by retail sales associated with the exhibitions made through the National Portrait Gallery Company Limited. Earning revenue in addition to the government's grant-in-aid allows a wider public programme to be offered.

The Gallery is an equal opportunities employer. The development of working practices and a working environment that facilitates this, in particular with regard to the employment of disabled persons, are key objectives, as embodied in its combined Equality Scheme. The Gallery has a comprehensive policy and training programme, and a Wellbeing Policy, aimed at securing the health, safety and welfare of its employees, (see pages 17 and 18).

Gallery employees are involved in the development of policies, strategic and corporate plans and performance targets through corporate planning and performance management processes. Management meetings and newsletters provide a regular means for the consideration of issues and dissemination of information to staff throughout the year. Regular meetings between staff and management ('Whitley Council' meetings) provide a forum for discussion of staff issues. The Gallery continues to receive valuable support from volunteers, as detailed on page 18.



## Objectives and Performance Indicators

The Gallery signed a new Management Agreement with the Department for Culture, Media and Sport in March 2017. The Agreement confirmed the Gallery's six Corporate Objectives along with some specific priorities that the Secretary of State outlined for the Gallery. The Agreement also included twelve key performance indicators (KPIs) that the Gallery has to report against. These KPIs were the same as those the Gallery has reported against in past years, although in some cases the Gallery was still building a record over time for certain of the indicators as the data relating to them had not been compiled in earlier periods. These performance indicators relate to audience profile, learning and outreach, visitor satisfaction, income generation (both charitable and non-charitable) and engagement. The Management Agreement performance indicators are reviewed quarterly by Trustees and annually by DCMS. Reference is made to these indicators throughout the Annual Report with the Gallery's performance in 2016/17 detailed on pages 32 and 33, (with comparators for previous years provided where possible).

The 2016/19 Corporate Plan established six primary objectives for the Gallery's three-year business plan as follows:

### Charitable activities

- To extend and broaden the range of audiences for the National Portrait Gallery and its work through access and learning, a higher national and public profile, and effective communication;
- To develop the Collection, creating opportunities for acquisition and commission, while improving its care and conservation;
- To increase the understanding of and engagement with the Collection and the art of portraiture through outstanding research, exhibitions and displays, publishing, regional and digital programmes.

### Increasing and developing resources

- To maximise the financial resources available through both public and private sector support, trading and licensing and through the effective management of the Gallery's assets and resources;
- To develop staff as an essential resource through the extension of staff diversity, training, development and learning programmes; and
- To bring the buildings, technical and managerial infrastructure of the Gallery to the highest standards.

The Management Agreement with DCMS introduced seven priorities set for the Gallery by the Secretary of State which included:

- to ensure that free entry to the permanent collections of the National Portrait Gallery will continue to be made available;
- to protect the world-class collections and front-line services of the Gallery;
- to continue to pursue commercial and philanthropic approaches to generating revenue which will complement grant-in-aid funding, and to seek innovative cost sharing solutions with other Arm's Length Bodies to maximise these additional sources of income;
- to take a strategic approach to partnership working and to seek out opportunities to work across the UK with other museums, cultural and third sector partners, including through the loaning of items, touring of exhibitions, and sharing of expertise;
- to prioritise access to arts and culture for disadvantaged young people and communities;
- to work with DCMS to engage internationally, especially with high priority countries as indicated by Government. This will include making use of and contributing to the GREAT Britain Campaign, helping DCMS to boost tourism, education and business;

- to give a high priority to supporting the delivery of the outcomes of the Culture White Paper which will set out the direction for arts and culture policy for this Parliament.

## ACTIVITIES, PERFORMANCE AND PLANNED FUTURE DEVELOPMENTS

### 1) Extending and broadening audiences

#### Visitor numbers

The Gallery's audiences continued to develop on a national and international level during 2016/17, with large numbers of people visiting exhibitions, displays and the Collection on-site and accessing our work online, and through our National Programme, touring initiatives and learning and participation projects.

In a challenging year for attractions in central London, 1.88 million visits were made to the Gallery, an 11% decrease on a record year in 2015/16. During the period the Gallery held several high profile exhibitions, including *Vogue 100: A Century of Style* (which attracted over 152,000 visitors, making it the third most popular paid-for exhibition in the Gallery's history), and *Russia and the Arts*, which was seen by 68,000 people, 70% over target. *William Eggleston Portraits* also exceeded visitor number predictions with 56,000 visits, and encouraged a new, younger audience – 25% were on their first visit to the Gallery and 40% were under thirty-four years old.

There was growth within key target demographic groups, such as Black, Asian and minority ethnic audiences, which equated to 7% of overall visitors; overseas visitors made up 44% of the total number and 31% were London residents. Satisfaction levels remained high, with 98% of visitors describing their experience as 'excellent' or 'good', and 94% saying they would recommend a visit.

#### Communications (Marketing and Press)

Marketing campaigns continued to make use of both traditional and new media to expand the reach of the Gallery's messaging. Social channels and digital advertising were central to our strategy, with notable activity including a series of Facebook live broadcasts and collaboration with YouTube on their major promotional campaign #MadeForYou. The implementation of the new Customer Relationship Management and Ticketing System (CRMTS) took place during the period, and the Tessitura CRMTS application was installed successfully for all ticketing, event booking, donations and Development and Membership administration, and has already significantly improved the Gallery's processes and service for visitors.

Press activity resulted in widespread media coverage for exhibitions: the critically acclaimed *William Eggleston Portraits* received a series of five star reviews, and there was extensive news exposure for *Vogue 100* including global coverage for the unveiling of the new photographic portraits of HRH The Duchess of Cambridge by Josh Olins. The Press team worked on BBC One's *The Big Painting Challenge*, an episode of which was filmed at the Gallery, and with *Sky Arts* on their *Portrait Artist of the Year 2017* final.

#### Late Shift

Late Shift continued to attract a large and diverse audience. *Vogue 100: A Century of Style* enabled a rich programme, with guests including Victoria Beckham and Henry Holland, and the first charged Saturday-night Late Shift: Extra with a MAC lipstick bar, a theatre photo booth and a fashion show by Central St Martin's final-year students. Late Shift: Extra – *Everything You Can Imagine is Real*, inspired by *Picasso Portraits*, was curated by the sound artist Martyn Ware and involved fifty performers. Every Friday evening an average 400 visitors attend the free Drop-in Drawing sessions.

## Friday Evening Music

The programme continued to reach over 3,500 visitors, and standout performances included Investec Opera Holland Park (in response to *Russia: The Age of Tolstoy and Tchaikovsky*); a partnership with the Brixton venue The Windmill (for *Creative Connections: Southwark and Lambeth*) and a collaboration with The BRIT School (with their annual response to the *BP Portrait Award*).

## The Portrait Choir

After four very successful years under the artistic direction of Gregory Batsleer, *The Portrait Choir* project, supported by Hani Farsi and The Mohamed S Farsi Foundation, came to an end in November 2016. The Gallery hopes to be able to invite this Choir back from time to time, and to also work with other choirs in the future.

A lasting legacy of The Portrait Choir is the Choral Audio Guide, narrated by the actor Simon Russell Beale, which illuminates portraits in the Gallery's Collection by offering visitors the opportunity to hear the choral sounds of each time period.

## Families

The Gallery is committed to extending its welcome for families, and continued to develop its programme with a dedicated cross-Gallery Family Working Group. The Family Activity Base (FAB) continued to engage thousands of families at weekends and public holidays. The children's book illustrator, Emily Rand, created new characters for the *BP Portrait Award 2016* Family Trail; artist-led creative workshops explored the Collection, and large-scale special events featured the Children's Laureate Chris Riddell and the poet John Hegley. A full-day *Picasso Portraits: The Big Draw* event attracted over 600 family members.

## Young People

The Gallery's active Youth Forum (thirty strong) expanded their peer-led activities by hosting *Pick up a Pencil Drop-in Drawing* events, consulting on Gallery projects, supporting a new Instagram account @NPGYouth and filming in Barcelona to give a youth perspective on *Picasso Portraits*. The group also presented lively *Youth Insights* Gallery talks around the Van Dyck self-portrait. Free artist-led creative events ranged from performance and photography to poetry, and the unique after-hours *BP Portrait Award: Next Generation* Young Peoples' Private View was attended by over 220 young people.

## Schools and Colleges

During 2016/17, 46,409 individual children and young people participated on-site with a further 631 participating off-site. New activities for Schools included Primary pupils becoming junior judges of the *BP Portrait Award 2016* and the *Taylor Wessing Photographic Portrait Prize 2016*, and Extended Practice days with tours and sketchbook activities for Secondary Art. The Gallery hosted special *Picasso Portraits* Schools' Previews and three *Secondary Sketching Mornings*. As part of the *Russia and the Arts* exchange, the Schools Programme Manager taught at Moscow's State Tretyakov Gallery, and members of the Tretyakov's staff worked with Russian-speaking schools here at the Gallery. Pupils performed in the free display *Black Chronicles* as part of the ongoing English Touring Opera partnership. New *In Focus* online resources looked at the Van Dyck self-portrait and *Sargent: Portraits of Artists and Friends*, and over 1,300 teachers now follow the #NPGSchools Twitter feed.

## Adult Programmes

A successful, new partnership with the Royal Collections Trust saw a multi-venue Study Day with papers on the Van Dyck self-portrait (at the Gallery), a visit to Marlborough House to see Gentileschi's ceiling, followed by talks and a reception at the Queen's Gallery. Weekend painting and photography workshops continued to reach capacity, and Thursday Lunchtime Lectures have maintained a loyal

and engaged following. The Gallery's Group Tours offer saw a large increase due to *Picasso Portraits*.

### Access

*Creative Spaces*, now in its fifth year, continued to offer eight-week art courses for adults with learning disabilities at the Gallery. Working in partnership with Shape and Westminster Society for Disabled People, participants engaged with the Collection and exhibitions and were inspired to develop their own art practice. Through the project, the participants' creativity, communication and confidence increased. Now in its seventh year, *Musical Portraits* is an annual school holiday project for young people with autism. Developed with our partners, Wigmore Hall and Turtle Key Arts, the project this year saw young people work with artists and musicians to create their own artwork and musical compositions. The project culminated in a concert at Wigmore Hall, where participants performed collaboratively, and the pride of the participants and their parents was palpable. Both projects demonstrate significant impact.

### Outreach

Now in its tenth year, the Gallery's established and successful partnership with children's hospitals in London saw artists take the Collection into clinical settings to inspire young people with stories of *Magical Journeys* that scientists and future thinkers have undertaken to improve our lives. This project supports health, wellbeing, learning and play for families during challenging times, and helps 'normalise' life in hospital. This year saw over fifty-five artists visit Great Ormond Street Children's Hospital, Evelina, and Royal London at Whitechapel and Newham. We also launched a new, dynamic activity book, which was given to every child in our partner hospitals to encourage creativity and art.

### Creative Connections

After four years in London, the project has moved beyond the capital with a one year pilot project in partnership with Nottingham Contemporary. Working with Farnborough Academy in Clifton, Nottingham and the social documentary photographer Katherine Green, students are currently exploring inspiring people of Nottingham – both in the Gallery's Collection and the wider community. Twenty-two fourteen-year old photography students spent an exciting day exploring the archives at the Gallery and are now interviewing and photographing local community groups.

### Interpretation

Initiatives for 2016/17 included the production of new printed trails to introduce the Collection in a thematic way, suitable for all audiences; a *Director's Trail* selected by Dr Nicholas Cullinan and a *Height of Fashion Trail* by the British *Vogue* Fashion Director, Lucinda Chambers. The Gallery's Audio Guide was re-designed to make the recorded content in all six languages continuously available to visitors, while dedicated exhibition Audio Guides for exhibitions *Vogue 100* and *Picasso Portraits* had combined sales of over 21,000 guides.

### National Programme

The Van Dyck self-portrait continued its six venue tour, with Birmingham City Art Gallery working with the artist John Stezaker to curate *Turning to See: From Van Dyck to Lucian Freud* and the Laing Art Gallery, Newcastle, staging *Modern Visionaries: Van Dyck and the Artists' Eye* working with artist Marcus Coates. Each venue created imaginative learning and participation programmes. The portrait was also shown in a display at the National Portrait Gallery, *Painting the Artist: Van Dyck and Early Self-portraiture in Britain*.

The National Trust's Beningbrough Hall, one of the Gallery's Regional Partners, hosted a display of portraits from the Gallery's Collection selected by our Director to complement its 300<sup>th</sup> birthday, and the Trust's Montacute House staged a display of works from the Gallery's Collection called *Copying Holbein*.

*All the World's A Stage: Court, Patrons and Writers in Shakespeare's Circle* continued the Gallery's partnership with the Barber Institute of Fine Art and students from the MA Art History and Curating course at the University of Birmingham, and NPG 1, the Gallery's principle portrait of William Shakespeare, was lent to the Royal Shakespeare Company in Stratford to mark the 400<sup>th</sup> anniversary of his death.

The Gallery-led Subject Specialist Network *Understanding British Portraits* organised a programme of events, including its annual seminar and visits to view financial institutions' collections and to Weston Park.

The Gallery lent 261 items from its Collection to sixty-two venues in the UK and abroad on a short-term basis, and 407 items to thirty-five venues on a long-term basis. Highlights of this year's loans included the forty-nine key Collection works which travelled to the State Tretyakov Museum, Moscow, for their *From Elizabeth to Victoria* exhibition – part of the *Russia and the Arts* exchange.

## **2) Developing the Collection**

### Introduction and Highlights of Primary Collections Acquisitions

Our most important acquisition this year was an outstandingly powerful unfinished portrait of Arthur Wellsley, 1st Duke of Wellington (1769-1852) by Thomas Lawrence, 1829, which was acquired following a major fundraising campaign with support from the Art Fund, the NHMF, and the G and K Boyes Trust and many other generous donors and members of the public. This acquisition fills a major gap in the Gallery's holdings, providing it with a portrait painted from the life. The unfinished nature of this portrait, with the head fully worked-up and the costume only very loosely modelled allows the viewer a fascinating insight into the working processes of Lawrence, the most accomplished artist of the Regency period.

Among many other significant acquisitions this year were portraits of two very different Tudors. A portrait of Jane Seymour (c. 1508–1537), third wife of King Henry VIII, after Hans Holbein the Younger, dating from around 1537 was acquired as a purchase. The portrait may have been painted by studio assistants and is an unfinished version of a portrait made in 1536 after a sitting from the life. Another much less well known Tudor was Ralph Simons (Symons) (1580-1610) who worked as a mason and architect, and his recently rediscovered portrait, by an unknown English artist, dates from around 1602. This highly unusual work was acquired as a purchase, and shows the sitter as an artisan with a pair of dividers in his hand.

The Gallery was particularly fortunate to acquire numerous twentieth century and contemporary works as gifts and bequests. A striking self-portrait of the émigré artist Marie-Louise von Motesiczky (1906-1996) dates from 1959. A highly unusual and compelling self-portrait of the Pop artist Pauline Boty (1938-1966) in stained glass, 1961, has been acquired as a purchase. Boty tragically died young, but in her short artistic career she produced a vibrant body of work that explored feminine identity. This exceptionally beautiful work is the first stained glass portrait acquired by the Gallery. Two sensitive and insightful portraits drawings by David Hockney have been acquired, one depicting the fashion designer Celia Birtwell, 1972, as a gift and the other of the theatre director William Gaskill (1930–2016), as a bequest. A powerful large-scale portrait of the influential contemporary musician Edward ('Ed') Sheeran (b.1991) by Colin Davidson, 2016, was acquired as a purchase and provides a particularly impactful image of a high profile young person.

A small-scale portrait of the 19th century boxer Jem Wharton (1813-1856), by William Daniels (1818-1880) dating from 1839 has been put on long-term loan, providing a rare and exciting opportunity to display a historic portrait of a named black sitter.

### Commissions

Professor Dame Sally Davies (b.1949), Chief Medical Officer for England, was painted by Daphne Todd, winner of the First Prize in the *BP Portrait Award 2010*. Painted from life in the sitter's offices at

the Department of Health in Whitehall, the portrait shows the sitter surrounded by personal items including training shoes and fresh fruit, which represent her influence on the nation's health. Characteristic of Daphne Todd's approach, the painting is made up of four panels, which allow the composition to evolve as she works.

### The Photographs Collection

It has been an active year for photographic acquisitions, with the acceptance of several significant groups of photographs and individual works of pronounced historical and artistic significance. Targeted acquisitions included a vintage print of the designer Elsa Schiaparelli by Man Ray, rare photographs of the poets Sylvia Plath and Ted Hughes, the leading ballet dancers by Rick Guest and Alfred Eisenstadt's *Celebrated Men* for *Life* magazine. The Gallery also acquired two photographs of HRH The Duchess of Cambridge by Josh Olins.

Also acquired were remarkable groups comprising two albums and various loose photographs by the early twentieth century firm Foulsham and Banfield; photographs of actors Cary Grant and Betsy Drake; selections from the archives of Marcus Adams, Bertram Park, and Yvonne Gregory; and a distinctive collection of handmade photographic Christmas cards by British surrealist Angus McBean.

### Reference Collection: The Heinz Archive and Library

Acquisitions for the Reference Collection included a gift from Bronwen Heath of two etchings by her father, Jack Heath, of Robert Austin and John Ward. The establishment of an acquisitions budget for the Reference Collection permitted important purchases this year including a satirical print of Joanna Southcott by Thomas Rowlandson and six satirical prints showing John Bull variously by Isaac Cruikshank and Charles Williams. Additionally, prints of 'La Toilette d'un Anglais (John Bull)' by Paul André Basset; Charles Churchill ('The Bruiser') by William Hogarth; and 'O Fair Britannia Hail' by Giovanni Battista Cipriani were also acquired as purchases. The Collected Archives received an additional gift from Lucian Freud's family, consisting of ephemera associated with him. The Library was given, amongst other gifts, five volumes of *Francis Bacon: Catalogue Raisonné* from the Bacon estate.

### Collections Care and Collections Management

The Conservation team's work on the important survey of the Gallery's panel paintings progressed during the year. Another significant collaborative project for the team was the successful loan return of forty-nine portraits from the Tretyakov State Gallery, Moscow. Programmed work at the regional partners continued apace, with a survey of the Kit Kat portraits at Beningbrough Hall, and a condition survey of all works on display at Montacute House.

All the Collections teams came together to work on the technically complex overnight installation of *Anthony Gormley: Object*, which was suspended over the Ondaatje Wing Main Hall. The project required meticulous planning and implementation, alongside collaboration with the Gallery's Estates and Operations teams. *Picasso Portraits* also presented an exceptional opportunity to condition assess and study the artist's technique, materials and framing campaigns, whilst also developing and embedding installation skills for the Art Handling team.

### Portrait Fund

The Gallery's Portrait Fund (the object of which is to assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation) has benefited from substantial support, which built on previous generous donations from Viscountess Eccles, Lord Marcus Sieff, Sir Christopher Ondaatje, and the Lerner Foundation. The generous donations from these donors have been used to build up the Portrait Fund since its inception in 2006 and to enrich specific vital Gallery programmes.

The Fund operates under its own trust deed; the Trustees of the Portrait Fund are Sir William Proby and Allegra Berman, from the Gallery's own Board of Trustees. The Fund also has two independent Trustees, Lady Douro and Sir Christopher Ondaatje.

The balance of the Portrait Fund is £9.3 million, which includes £2 million from the Heritage Lottery Fund and Department for Culture, Media and Sport's *Catalyst: Endowment* match funding scheme that was subsumed into the Portrait Fund in the year. Some funds will be withdrawn to support the Wellington acquisition, but nonetheless the Fund will have reached over £9 million of its £10 million target. This means the Gallery can launch its closing appeal to complete in 2017/18. The appeal will focus on approaches to major donors and securing legacy income to ensure the Fund is completed by the end of 2017/2018.

For further information about supporting the Gallery and the Portrait Fund, please contact Pim Baxter, Deputy Director on 020 7312 2448.

### **3) Increasing the Understanding of and Engagement with the Collection**

#### Introduction

The programme has been wide-ranging this year, with innovative activities broadening participation across all areas of the Gallery's work, supporting the aim of increasing access to, and understanding of, portraiture. The ongoing cataloguing and digitisation of the Collection continues to prove vital, enabling audiences to interact with, and contribute to, the Gallery's work. As the Gallery grows its online audiences it has been keen to respond to their interests and to increase their desire to participate with the Gallery's activities.

Looking ahead, we are developing a strong exhibitions and displays programme that will mix contemporary with historic, thematic and biographic elements, and will also consider moments of counterpoint to ensure that we have much to offer our diverse audiences. The programme will be supported by well designed and researched publications, and engaging digital content.

External funding has enabled us to further our research, and the Collaborative Doctoral Partnership has again proved rewarding. The international scope of the Gallery's activities, through exhibitions and displays programmes and academic research, ensures that the Gallery is able to promote portraiture in every aspect of its work.

Sustainability remains a high priority, and a holistic view of our programmes ensures a cost effective and flexible approach. The Gallery remains open and responsive to opportunities to maximise all that it does.

#### Exhibition Highlights

Partnerships continued to be key to the success of the exhibition programme. *William Eggleston Portraits* is currently touring to the National Gallery of Victoria, Melbourne (this new relationship is one that the Gallery hopes will continue in the future). *Picasso Portraits* was curated by Prof. Elizabeth Cowling and produced in collaboration with the Museu Picasso Barcelona. The resulting exhibition was very well received by visitors. *Gillian Wearing & Claude Cahun: Behind the mask, another mask* has received a wonderful reception from the critics. Working in close collaboration with the artist Gillian Wearing (who created a number of new works for the exhibition specifically in response to those of Claude Cahun), the Gallery has been able to produce an exhibition of great depth. We were honoured to be able to work very closely with the late Sir Howard Hodgkin on *Howard Hodgkin: Absent Friends*. The exhibition examines a part of Hodgkin's work that had previously been overlooked, and which brought together portraits that collectively formed a very rich and fitting tribute to his life.

## Immunity from Seizure

In response to concerns from museums that an increasing number of international lenders were refusing to lend items to UK museums without a guarantee of their safe return, legislation was created to protect these objects. The Tribunals, Courts and Enforcement Act 2007 includes provisions which give immunity from seizure for cultural objects which are loaned from overseas to temporary public exhibitions in approved museums or galleries in the UK where conditions are met when the object enters the UK.

If the conditions of this legislation are met, a court cannot make an order to seize an object that has been loaned from abroad for an exhibition, except where required to under EU law or the UK's international obligations.

The National Portrait Gallery applied for approval under Section 136 of the Tribunals, Courts and Enforcement Act 2007 on 15 December 2008 and this was granted on 17 February 2009. The Gallery provides information on its website for Immunity from Seizure:  
<http://www.npg.org.uk/about/foi/immunity-from-seizure.php>.

## The Galleries and the Displays

The Gallery's lively and varied range of displays this year included *Black Chronicles: Photographic portraits 1862-1945*, which involved working with our partners Autograph ABP and attracted considerable interest and new public engagement. We also staged *Painting the Artist: Van Dyck and Early Self-Portraiture in Britain*, and a thematic display of nude portraits, *Exposed: the Naked Portrait*. A display based on a set of exciting new acquisitions, *Lucian Freud Unseen*, featured pages from Freud's sketchbooks.

The Gallery's contemporary programme included an arresting self-portrait by Antony Gormley, *Object*, sited in the Ondaatje Wing Main Hall, *Thomas J Price: Now you See Me* and *Luc Tuymans: Glasses* – which featured portraits of people wearing glasses. Photographic displays included remarkable examples of portrait photography from the Collection (*A Century of Photography 1840-1940*), which will become an annual feature, and *Speak its Name!*, marking the fiftieth anniversary of the partial decriminalisation of homosexuality.

## Digital Programmes

The Gallery's website continued to attract around five million visits per year. 210,000 portraits now appear online, of which 135,000 are illustrated, all with a new zoom feature displaying a larger image option. The site was restyled with a new homepage and a Gallery-wide header, incorporating a revised visitor navigation system. A new supplementary image feature was introduced during the year, and content was prioritised in-depth by converting detailed text entries from Gallery period catalogues and other publications. The Gallery also transferred some of the best features that previously only existed on the on-site Portrait Explorer system to the website. Behind the scenes, system and workflow updates have allowed teams to focus on delivering more Collection images and to enhance data and texts online more quickly, with daily and on-demand updates to the *Search the Collection* facility has allowed us to be more responsive to visitor requirements, particularly with increasing public participation within the *Tell us More* feature.

## Research Programmes

The Gallery made structural changes to how it organised its research, with the Heinz Archive & Library being integrated more directly into the Gallery's research programme. The Archive was awarded funding under the National Cataloguing Grants programme to produce an online catalogue of the Lucian Freud Archive, and also began a project to catalogue its collection of fashion plates. The essay volume resulting from the *Making Art in Tudor Britain* project received favourable reviews, alongside an award from the Historians of British Art. Progress continued on the *Later Victorian Portraits Catalogue*, with an extension until summer 2017, with further external funding being sought. Another student started in October 2016 under the Collaborative Doctoral Partnership, and the



Gallery's proposal this year for a Collaborative Doctoral Award (CDA) on twentieth-century women studio photographers was selected. Collaborations with the National History Museum in Denmark and on the AHRC Joseph Banks network also continued successfully. The period was productive for individual members of staff (please see: [www.npg.org.uk/research](http://www.npg.org.uk/research) for more information).

### Cataloguing Projects and Plans

Over 300 Reference Collection items were catalogued, and plans to catalogue and digitise 1,000 engraved fashion plates advanced. Cataloguing of regularly accruing Gallery Records and the papers of the former Director of the Gallery Charles Saumarez Smith continued. Work on top-level descriptions for Collected Archives began, and funding was secured to catalogue the archives associated with Lucian Freud. An externally funded project to catalogue photographers' monographs commenced, and titles 'A-L' were described. Library volunteers retrospectively catalogued sales catalogues from 1988-1990, and individual biographies for surnames 'A-O'. Over 3,200 portraits in external collections were recorded and 2,600 portrait images were processed.

### Photographs Collection Cataloguing

The Photographs Collection now has more than 157,000 objects accessible to the public online. Records improvement is ongoing, and some 500 works were newly-catalogued and made available this year. Recent acquisitions continue to be a priority, together with historically un-catalogued works judged to be of potentially high interest. Significant bodies of work catalogued this year include Anderson & Low's photographs of the Bond film *SPECTRE*, David Gwynnutt's *Before We Were Men*, an important group of photographs from the Speaight Studio and photographs by the fashion/advertising photographer Clive Arrowsmith. A similar level of activity is planned for 2017/18.

### Publishing

The Gallery's publishing business continued to grow in 2016/17. The enormous success of *Vogue 100: A Century of Style* saw total Gallery, UK and export sales exceed 20,000 copies (not including the US, German, Spanish and Chinese editions). The *William Eggleston Portraits* catalogue was published to great acclaim – with UK, US, Australian, German and Spanish editions. A deluxe, limited edition signed by the photographer proved to be very successful. *Picasso Portraits*, a collaboration with the Museu Picasso Barcelona, also sold well during the year. *Lucian Freud's Sketchbooks* featured highlights from the incredible, recently-acquired archive. *100 Portraits*, our new souvenir book, also proved to be very popular, as did *Speak its Name!*, a collection of quotations by and about gay men and women, which attracted high-profile media attention. The Gallery's presence at international book fairs helped to ensure the continued expansion of its overseas publishing business. The year closed with the publication of two beautiful exhibition catalogues: *Gillian Wearing & Claude Cahun: Behind the mask, another mask* and *Howard Hodgkin: Absent Friends*.

## **4) Increasing and Developing Resources**

### Financial summary

2016/17 was a successful year for the Gallery in terms of meeting internal financial targets and audience development objectives, as well as in achieving good results across the range of performance indicators agreed with the Department for Culture, Media and Sport (DCMS). In spite of visitor numbers being 11% lower than the record breaking numbers achieved in 2015/16, income generation remained strong, with good results achieved across most of the Gallery's unrestricted income headings compared to the previous year.

### Income from donations and legacies and other charitable activities

2016/17 proved a successful year for voluntary income generation, the year finishing strongly as a result of the successful fundraising campaign for the acquisition of Thomas Lawrence's unfinished

portrait of the 1st Duke of Wellington as well as the Portrait Gala. Corporate support grew over the year with more supporters secured, however total income from trading activities was slightly lower (by 4%) than in the previous year.

#### *Individual Support (Patrons, Associates, Members)*

2016/17 was another successful year for Membership, thanks to popular exhibitions such as *Vogue 100: A Century of Style*, *Russia and the Arts: The Age of Tolstoy and Tchiakovsky* and *Picasso Portraits*, which recruited around 5,000 Members in total. Income target for Membership was also exceeded. Membership figures fluctuated around a baseline of 15,500, and the average retention rate was 60%. The strength of the programme at the Gallery continues to ensure a high retention rate for Patronage, with approximately 95% of Patrons renewing their support in 2016/17. The Gallery currently has ninety-nine Patrons, fifty-four Life Patrons and five Portrait Circle members. The Gallery has set ambitious targets for growth for all its supporter schemes, including scoping two new levels of support.

#### *Development Council*

The Development Council, chaired by David Ross, continued to make many valuable contributions in terms of advice and expertise, as well as through personal introductions, and the Council's input and support is greatly appreciated. New cultivation events were introduced, providing opportunities for new contacts to learn more about the Gallery's work.

#### *The American Friends of the National Portrait Gallery*

Over the last twelve months there have been some changes to the structure of the American Friends of the National Portrait Gallery (London) Foundation. There are currently eight Trustees, with an ambition to increase this to twelve. Since 2016, Trustees, led by the President, Margaret Conklin, have contributed Board Dues of \$2,500 each, alongside other financial support. This enables the organisation to use the services of GHS Philanthropy Management to support its good governance and administration.

#### *Charitable Trusts and Foundations*

Trusts and foundations continue to be an important source of funding for many areas of the Gallery's work. This year we were pleased to attract new funders for our programme of exhibitions and displays; these include Cockayne - Grants for the Arts for *Gillian Wearing & Claude Cahun: Behind the mask another mask*; The Tavolozza Foundation for *The Encounter: Drawings from Leonardo to Rembrandt* and The Ampersand Foundation for the Akram Zaatari display. We have also received an award from the National Archives Cataloguing Grants Scheme to catalogue the Lucian Freud Archive. The Lord Leonard and Lady Estelle Wolfson Foundation continued to support the access programme.

#### *Corporate Support*

The Corporate Partnership programme had fourteen partners in 2016/17, up from eleven in the previous year – including the new additions Russell Reynolds, NautaDutilh, MHP Communications and Lazard. The year's headline sponsor was Goldman Sachs for *Picasso Portraits*. Radisson Edwardian Hotel provided in-kind room provision to the value of £15,000 for William Eggleston and his party during the opening week of *William Eggleston Portraits*. Multi-year partners continued to offer long-term support, including BP for the *BP Portrait Award*, Taylor Wessing for the *Taylor Wessing Photographic Portrait Prize* and Herbert Smith Freehills for the Spring Season. Delancey continues to sponsor the Schools' Programme as part of a three-year agreement, and has committed to sponsoring the Gallery's educational Hospital Programme for three years from September 2017.

## Income from other trading activities

### *Corporate Events and Venue Hire*

In 2016/17 the venue hire sales pattern changed in line with the Gallery's new exhibition dates, resulting in a quieter February, but a much busier March than in recent years with preparations for the Portrait Gala, and opening events for *Gillian Wearing & Claude Cahun: Behind the mask, another mask* and *Howard Hodgkin: Absent Friends*. Confirmed private hire income for the financial year was £299,000 against a £320,000 target, and confirmed corporate hire income was £97,000 against a £110,000 target. Venue Hire finished the year at £397,000 against an overall target of £430,000. Many corporate and private hire clients remained engaged with the Gallery, with several repeat clients returning for events around *Picasso Portraits*.

Goldman Sachs were particularly engaged during the sponsorship of *Picasso Portraits*, holding three evening events and one breakfast event from their free allocation of five free events. Taylor Wessing also successfully hosted their annual programme of opening events around the *Photographic Portrait Prize 2016*. As in previous years, May, June, October and November 2016 were particularly busy with Premier Partner and Corporate Member free and discounted venue hires. Events during *Vogue 100: A Century of Style*, *BP Portrait Award 2016* and *Picasso Portraits* have been held for partners including Herbert Smith Freehills, MHP, Freshfields, BP, and Bloomberg.

The autumn and Christmas were peak times for private venue hire, with events held on most of the key dates during the period. Income was maximised mainly through high-value repeat bookings for clients including Mott Macdonald, Essex Court, Allen & Overy and Deloitte. New clients in this period included Bupa, Be Seen and Santander. Most available evening dates during *Picasso Portraits* in October to December, which were not used for Gallery events or Corporate Supporters, were sold. Looking forward to the 2017/18 financial year, we already have confirmed revenue of £105,000.

The fourth Portrait Gala took place on 28 March 2017. The event successfully raised over £500,000 of unrestricted income for the Gallery, against a target of £400,000. Additionally, £50,000 will go towards *Coming Home* which will enable one to two key works from the Collection to be loaned to regional venues as part of the project. 430 guests attended dinner across the Second Floor Galleries, with an additional 30 high profile celebrity and press contacts joining for the reception. Guests included our Patron, HRH The Duchess of Cambridge, Chair of the Portrait Gala Committee Alexa Chung, major donors, patrons, individual prospects, artists, sitters, public figures and guests from the art world. Our lead Gala sponsor, William & Son, has already expressed a firm interest in sponsoring our next Gala and also committed to holding two further events with the Gallery as a result of the partnership.

### *Trading company*

The Gallery's subsidiary trading company, the National Portrait Gallery Company Ltd, earned profits of £1,061,000. This was the second largest profit to date, behind the record of £1.2 million earned in the previous year. The Company will Gift Aid these profits to the Gallery. The Company's business includes Retail, Venue Hire and the catering franchise with Company of Cooks. The profits in 2016/17 were generated from strong performances by the Gallery's successful exhibition programme, which included *Vogue 100: A Century of Style*, *Russia and the Arts*, *William Eggleston Portraits* and *Picasso Portraits*, all of which attracted large numbers of visitors. However, trading figures during the summer were lower than the budget, caused by lower than target visitor numbers to the *BP Portrait Award 2016*. This affected, in particular, the Company's retail business, which struggled to achieve its monthly budgeted profit during that period. However, the strong performances of *Vogue 100: A Century of Style*, *Russia and the Arts* earlier in the year, ensured that even during the summer the Company was still ahead of the budgeted target for the year to date. By the end of the year, Retail's profits were £528,000, £94,000 ahead of the budgeted target for the year. Venue hire struggled to achieve the budgeted profits for the year, posting profits of £307,000, which were short of its budgeted target by £18,000. The catering franchise performed well, exceeding its budgeted commission of £466,000 by £56,000, despite visitor numbers being 6% lower than the target.

## *Retail*

Retail's results in 2016/17 were slightly down on the previous year, though it was still only the second year ever that sales exceeded £2.5 million, ending the year at £2,638,000. This was achieved despite visitor numbers being 200,000 lower than in 2015/16. Profits were £94,000 ahead of target. Retail enjoyed a great start with *Vogue 100*, however, sales suffered somewhat during the summer when visitor numbers reduced significantly from those expected, but had a good Christmas – all of which was sufficient to drive key indicators to new heights: conversion rates hit 11% for the first time and average transaction levels went over £12, again for the first time ever. All retail locations did well but the Bookshop, now firmly established in its new home in the main hall mezzanine floor, was up 40% on the year. The on-line shop, completely revised with a new transactional platform in November, broke all sales records to come in at more than 35% ahead of the budget set for the year.

## *Rights & Images*

2016/17 saw more image licensing clients self-serving through the Gallery's licensing website, proof that the system is working well. The project to commercially key word the Collection was completed by year end and this functionality will allow clients to search the Collection more easily. The Gallery is marketing directly to its clients on a regular basis with good results. We have taken on new international agents in Poland and South America to grow our business overseas. To support brand and merchandise licensing and to protect the Gallery brand, the Rights and Images team registered the National Portrait Gallery word mark and logo in a range of classes in the EU. We are now working with partners on virtual reality and other digital projects which will bring the Collection to life in new and exciting ways. We now have a Picture Researcher role managing all picture research across the Gallery. This role allows the Gallery to negotiate better deals and to improve communications between the Gallery and lenders/copyright holders. We continue to monitor changes to intellectual property law, most particularly as the UK leaves the European Union over the next 2 years.

## *Catering franchise*

Overall the Portrait Café and Portrait Restaurant had another good year, delivering slightly higher commission than budgeted. Overall income earned from the catering franchise in the year was £522,000. This is virtually flat on the year compared to 2015/16, but considering the Gallery enjoyed 200,000 fewer visitors this year than last, this is a very good result. The cafe continued to thrive on its larger footprint, ending the year 14% up on the year. Total Restaurant sales were slightly down compared to the previous year, reflecting the drop off in overall visitor numbers.

## Investment and Other income

The Gallery as a group receives a small amount of investment income from bank interest and dividend payments. This amounted to £10,000 in 2016/17, compared to £20,000 in 2015/16. The amounts held in interest bearing accounts provide the Gallery with its immediate working capital requirements, but the interest rates applicable to them remained low. However, the majority of the Gallery's reserves are invested in portfolios under management with the Gallery's investment managers, Partners Capital LLP. These investment portfolios were valued in total at £13.5 million. Over the year the portfolios appreciated in value by £955,000 (8%), net of additional investments, disposals and management fees, compared to their values as at 31 March 2016. The increase was in the form of an unrealised gain/loss. Notes to the accounts (Notes 8 and 9) include information about the Gallery's investments, as does the Investment Policy section later in this narrative. Other income increased by 25% compared to 2015/16, from £232,000 up to £289,000.

## Effectiveness and efficiency

### *Buildings and facilities*

The Gallery continues to maximise effectiveness and efficiency through rigorous contract management and partnership working on key contracted arrangements. Following a review of the engineering and maintenance services contracts, we are finalising specification and performance

standards for a full Official Journal of the European Union (OJEU) tender in autumn 2017. A review of our internal structures is planned for 2017/18 to ensure the Gallery is fully prepared to act as the client for this long-term contract.

## Staff

### *Introduction (including Recruitment)*

During the year there was a continuing upturn in the economic climate, with the number of vacancies in the UK economy remaining above historical average levels. Employee turnover increased significantly from the previous year at 25% (19% in 2015/16). 5% of turnover was due to fixed term contracts coming to an end. 'Other Job and/or Career Progression' was cited as the primary reason for leaving, followed by 'Relocation', 'Retirement', 'Study' or other reasons such as 'Family Commitments'. The Gallery ran sixty four external recruitment campaigns to fill 130 posts, including meeting temporary Visitor Services staffing needs to cover exhibitions. The average number of days sick absence per employee was 3.7, of which 2.4 days related to short term absences (2.3 days in 2015/16). This compares to the public sector average total of 8.5 days per employee per year.

### *Training*

The Gallery continued to increase management capability with its tenth group of managers completing an Institute of Leadership and Management (ILM) accredited management development programme, with action learning sets supporting managers' ongoing development. A broad range of induction training was provided to support new staff across all areas of the Gallery, and the Gallery also arranged for staff to attend a number of conferences, seminars and specialist training events. The Gallery supported staff in gaining professional qualifications in Finance, Information Science, HR and Marketing. A new Performance Review process was implemented across the Gallery, and we initiated work on identifying an e-learning system to support us in providing a blended and more accessible approach to training, and demonstrating value for money from the training budget.

### *Equality and diversity*

The Gallery continues to operate under an Equality Policy which reflects the requirements of the Equality Act 2010 and which is supported by an Equality Action Plan, the implementation of which is monitored by the Gallery's Equality Steering Group. The Gallery continues to provide mandatory training on equality and diversity, in conjunction with external partners, the charity Changing Faces and the Business Disability Forum. Three apprentices completed their apprenticeship with the Gallery, and all have secured permanent or fixed-term roles within the Gallery. We offered a total of six internships within the Curatorial and Learning departments, as well as fourteen work experience placements to Year 10 students from local schools. The HR team participated in school career days and employability workshops with Job Centre Plus. The Gallery's Visitor Services team continued their support with work experience for NEETs.

The composition of the Gallery's workforce, based on head count, at the close of 2016/17 was 88% white, 12% black and minority ethnic, 32% male, 68% female, 2% disabled and 43% part time employees.

The make-up of the Gallery's workforce between permanent and temporary staff during the year was as follows, based on average full time equivalents (FTEs) - see Note 5 for more detailed analysis:

			2017			2016
	Permanent staff	Temporary staff	Total	Permanent staff	Temporary staff	Total
Average numbers (FTE)	254	33	287	258	32	290
Cost (£000)	10,196	1,211	11,407	9,841	1,065	10,906

The split of permanent staff by gender, based on average FTE was as follows:

		<b>2017</b>		<b>2016</b>	
	Female FTE	Male FTE	Female FTE	Male FTE	
Senior civil servants	-	<b>1</b>	-		1
All other employees	<b>166</b>	<b>87</b>	165		92

The Gallery incurred £4,600 on consultancy fees in the year.

During 2016/17, the Gallery received valuable support from volunteers as follows:

<b>Department</b>	<b>Full-time equivalent</b>
Increasing understanding and engagement with the Collection	2.5
Developing the Collection	0.1

The Gallery also provided work experience and internship opportunities across its departments, as follows:

<b>Department</b>	<b>Full-time equivalent</b>
Extending and broadening audiences	0.1
Developing the Collection	0.2
Increasing understanding and engagement with the Collection	0.1
Support	0.1

#### Improving our services and sustainability report

The Gallery has used the stock condition survey of its infrastructure and fabric to develop a planned maintenance programme of works, which has begun. Improvements to IT infrastructure continued, following the successful recruitment of a new Head of IT, giving greater coverage to security systems and supporting changes to Gallery-wide functions. The Gallery continued to make progress in reducing its environmental impact, and is now a leader in the sector.

Projects in 2016/17 included improvements to environmental monitoring in the East Wing, external stonework conservation and replacement of the revolving door to the main entrance.

#### *Sustainability report*

The Gallery continues to make progress in reducing its environmental impact and is a leader in the sector. There has been significant investment in LED lighting systems and low energy fittings in recent years. We continue to improve and develop the Building Management System, which controls the environment of the Gallery space, and to explore energy management initiatives such as plant optimisation. The honey harvest from our Gallery hives was hit by poor weather in 2016, but signs were encouraging for a good harvest in 2017. The Gallery has appointed CBRE on a one-year support contract to develop the specification and asset lists required for its full OJEU tender for a new engineering and maintenance contract of 5+1+1 years starting in April 2018. The mobilisation was being managed by the new Engineering Manager, who was promoted from within the Gallery's Engineering team.

#### *Waste and Recycling*

Around 90% of the Gallery's waste, such as paper, glass, card, cans, batteries and printer cartridges, was recycled in 2016/17. The remaining 10% was diverted to an incineration plant, where it was used to generate electricity for the National Grid. 100% of food waste was recycled using an anabolic digestion process which, when complete, returns the waste to crops as fertilizer.

The art transportation collaboration with The National Gallery continued, helping to reduce the Gallery's Carbon Footprint. The Gallery continued to review information from the Bizot Group, and

to consider varying the internal environmental conditions to reduce the volume of carbon generated. All future projects will include measures that minimise energy use over the life of the project, with a focus on sustainability.

		Unit	2016-17	2015-16
CO2 emissions	Scope 1 (direct)	Kg of CO <sub>2</sub> e	662,724	597,676
	Scope 2 (indirect)	Kg of CO <sub>2</sub> e	750,935	1,247,477
	Scope 3 (business travel)	Kg of CO <sub>2</sub> e	-	-
	Total emissions	Kg of CO <sub>2</sub> e	1,413,659	1,845,153
Energy consumption	Electricity	KWh	1,822,437	2,699,056
	Gas	KWh	3,384,373	3,240,316
	Total	KWh	5,206,810	5,939,372
Expenditure	Electricity	£	265,000	259,643
	Gas	£	79,992	79,171
	Business travel	£	14,759	12,853
Waste	Landfill	Tonnes	7.00	1.00
	Reused/recycled	Tonnes	25.00	155.00
	Composted	Tonnes	12.40	77.00
	Incinerated with energy recovery	Tonnes	19.50	119.00
	Incinerated without energy recovery	Tonnes	0.00	0.00
	Total waste	Tonnes	63.9	352
	Total waste expenditure	£	21,593	36,870
Finite resource consumption	Water consumption	M <sup>3</sup>	15,582	19,698
	Water supply cost	£	36,605	46,845

### Visitor Services

The Gallery continues to make improvements in both the way the Visitor Services & Security team operates on a day-to-day basis and in the development and improvement of ongoing visitor engagement initiatives. The popular free *Portrait of the Day* talks attracted a diverse audience and gained a loyal group of repeat visitors.

The successful implementation of the new Customer Relationship Management and Ticketing System significantly improved the Gallery's ticketing processes, enabling the online sale of tickets for current and future exhibitions to be managed in-house. The Gallery now has a Contact Centre, with a dedicated team covering all switchboard calls and enquiries. In addition, the Gallery has recently undertaken a successful campaign for a replacement Senior Ticketing Manager, with the successful candidate being internally recruited from the Gallery's Visitor Services operations management team. This reflects strongly on the Gallery's approach to managing and promoting in-house talent.

The Gallery's Security team continued to work closely with the Metropolitan Police and local Counter Terrorism Security Advisors, ensuring that Gallery staff remained aware of all the key security messages issued periodically throughout the year. The most successful of these has been the 'Stay Safe' message, which continued to be rolled-out to staff on an ongoing basis and has been introduced as a permanent feature of staff inductions.

### Services for Researchers and Readers, and Freedom of Information Requests

The Heinz Archive & Library received over 1,200 visitors and responded to over 2,300 enquiries during 2016/17. Its web pages averaged 1,400 visits a month. Seventeen higher education and three school groups visited the Public Study Room. Staff facilitated research for the *Portraits Untold* and *Young People's Guide to Self-portraiture* projects and promoted the Archive & Library to post-graduate students and independent researchers at the History Day at Senate House on 15 November 2016. Thirty-three Freedom of Information requests and two requests for internal review were

handled. The Information Commissioner's Office issued a decision notice stating no further action was required regarding a complaint referred to them in 2016. Significant progress was made on departmental retention schedules following the appointment of a full-time Freedom of Information & Records Manager.

The National Portrait Gallery suffered no protected personal data incidents in 2016/17 and has made no such report to the Information Commissioner's Office.

### *Governance*

Upholding the highest standards of governance through the accountability and transparency of management processes, decision-making and communications continued to be a key aim. Actions taken to strengthen governance included a revision of the Publishing policy, updates to the Scheme of Delegation, the Anti-Fraud Policy, the Displays Strategy and the National Programmes Strategy, as well as the development of an Anti-Fraud and Corruption Strategy. Dr Augustus Casely-Hayford, Lord Janvrin and Marina Warner completed their terms as Trustees during the year. Mr Rob Dickins was appointed as a new Trustee in June 2016, and was appointed to the Board of the Company in November in place of Dr Augustus Casely-Hayford who resigned from the Company Board in June.

## **FINANCIAL REVIEW**

### **Presentation**

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992.

The Accounts are presented in accordance with the reporting requirements of the Charities Statement of Recommended Practice (FRS 102).

As required by the Statement of Recommended Practice (SORP), the Statement of Financial Activities shows total incoming resources for the year, including income received for capital expenditure and future projects occurring in 2016/17 and beyond. The Statement of Financial Activities apportions the cost of support services (directorate and office services, personnel, finance, IT and communications, facilities management and governance costs) and depreciation across the various headings of cost of generating funds and charitable expenditure.

### **Financial Performance**

2016/17 was a successful year, albeit that visitor numbers were 11% lower than in the previous year. This appeared to be a phenomenon experienced by a number of central London museums and galleries. The Gallery held two large, very successful exhibitions in the year, *Vogue 100: A Century of Style* and *Picasso Portraits*, both of which covered the majority of the Gallery's Ground Floor. Both exhibitions were very well attended and commercially successful. The strong exhibition programme for the year also included two smaller exhibitions, *Russia and the Arts* and *William Eggleston Portraits*, which both attracted high critical acclaim and exceeded their visitor targets. The *BP Portrait Award* was held during the summer, although this experienced a significant reduction in visitor numbers by 28% compared to the previous year, as a result of the exhibition running for a shorter period and the lower number of visitors to central London museums and galleries. The Gallery also achieved good results across the range of performance indicators agreed with the Department for Culture, Media and Sport.

### Consolidated Statement of Financial Activities

During the year, the Gallery received £6,637,000 (£6,634,000 in 2014/15) in grant-in-aid from DCMS. Grant-in-aid represented 33% of total income received in 2016/17, (29% in 2015/16).



Overall, total incoming resources were 12% lower than in 2015/16, with self-generated income being 20% lower. It should be noted that the outturn for 2015/16 was exceptional, in that during the year the Gallery had received donated assets valued at over £4 million, which significantly raised the self-generated income figures for that year.

Gross self-generated income represented 67% of total income, compared to 71% in 2015/16. The strongest income earning performance was provided by Donations and legacies, however this income was 39% lower than that earned in the previous year, as a result of the high value donated assets received in 2015/16. Exhibition and admissions and touring income was 5% higher than the previous year, as a result of the strong performance from the exhibition programme. However Exhibition and programme sponsorship income was 13% lower than that earned in the previous year, demonstrating that attracting corporate sponsorship remains a significant challenge, despite the strong exhibition programme. Retail earned its second highest income ever, albeit that this was 6% lower than the previous year's record breaking income level. This was nonetheless a very good result, considering that it was achieved with 11% lower visitors than the previous year.

Overall, resources expended increased by 1.7%. The increase was in line with inflation and was mainly as a result of increased staff costs. Support costs, excluding depreciation increased by 5% compared to the previous year.

Total staff costs as a proportion of total resources expended increased by 1% to 54% compared to the previous year. Total staff costs increased by 4.6% over the two years, with staff numbers reducing by 1%. The increase in staff costs was, by and large, the result of the Gallery having to employ a larger number of agency staff to fill vacancies from the higher staff turnover experienced in the year. Staff costs relating to core Gallery complement increased by 1%. There was a 30% increase in the cost of national insurance contributions which also contributed to the rise in costs in the year.

The table on page 32 demonstrates that the Gallery performed well against the majority of performance indicators included as part of the Gallery's Management Agreement with DCMS.

## Consolidated Balance Sheet

### *Unrestricted Funds*

The brought forward Unrestricted Funds balance of £9.3 million reduced by £1.3 million during the year, as a result of a decrease in the Gallery's free reserves and the depreciation in the value of its plant and machinery. The closing balance was £8 million of which £5.4 million represents capital assets, (plant and machinery and furniture and equipment), funded from self-generated income (which are therefore not available to spend). £2.3 million has been designated for the Investment and Contingency Fund (see Reserves Policy below) and for projects deferred to 2017/18 (held in the Deferred Projects Fund). The General Fund remains at £300,000, being at least three quarters of the stock value held at the Gallery. Going forward, it will be important for the Gallery to maintain a healthy unrestricted reserve to ensure it has sufficient funds to finance its key activities during what is likely to be a prolonged period when the public sector finances will be under continuing strain.

### *Restricted Funds*

The brought forward Restricted Funds balance of £122 million was increased by £3.8 million, primarily as a result of the revaluation of the Gallery's land and buildings, additions to the Collection in the year and unrealised gains in the Portrait Fund investment portfolio. The closing balance of £125.6 million consists of £21 million representing the Gallery's land and buildings, £62 million of revaluation gains on the Gallery's land and buildings, and £31.5 million representing the value of the Gallery's capitalised collections; none of these amounts is therefore available to spend. The balance of £11 million represents The Portrait Fund, together with funds donated and available for the restricted purposes of grant-funded projects to be completed and the acquisition of specified categories of portraits.

## *Fixed Assets*

The principal fixed assets represent the depreciated value of the St Martin's Place and the Orange Street buildings which were re-valued professionally at 31 March 2014. In accordance with Treasury guidance, the Gallery has adopted a policy of using appropriate indices to adjust the carrying values of its land and buildings, and Office for National Statistics indices to adjust the carrying values of its plant and machinery, in the years when they are not professionally re-valued. Other classes of assets have been valued on an historic cost accounting basis. The net book value of St Martin's Place and Orange Street, including fit-out but excluding plant and machinery, at 31 March 2017 was £83 million.

## Payment of Creditors

The Gallery follows the Treasury's guidance on payment of invoices. In 2016/17 the Gallery paid approximately 71% of its invoices within 30 days of the invoice date, compared to 72% in 2015/16. However it paid 91% (92% in 2015/16) of the invoices within 30 days of receipt of the invoice, in accordance with its terms and conditions of purchase.

## Investment Policy

Investments are held in accordance with the Trustees Act 2000. A proportion of surplus cash is held on deposit with National Westminster Bank Plc. This provides daily access while earning interest, and also maintains an adequate level of liquidity necessary for the payment of current liabilities.

The majority of the Gallery's cash reserves are held in investment portfolios under management with the Gallery's investment advisors, Partners Capital LLP. In 2009/10 the Gallery established an Investment Committee with the purpose of preparing an investment strategy for the Gallery's and Portrait Fund's cash reserves. The Committee is chaired by a Gallery Trustee – C. Allegra Berman. In this year the Committee included Lord Janvrin, as the other Trustee representative. However, his terms as a Trustee ended in October 2016. The Committee includes three external members, Anthony Brooke, Jeremy Sillem and Ben Whitmore. The Committee's role is to monitor the advice provided by Partners Capital LLP and the performance of the funds in which they invest on the Gallery's behalf. The Committee also ensures that the funds are invested in compliance with the agreed Investment Strategy.

The Gallery and Portrait Fund's Investment Strategy is based on a consideration of the risk, return and cash flow requirements arising from each reserve fund. The strategy is implemented through investment in three portfolios managed by Partners Capital LLP. The market value of the Gallery's investment was £13.5 million, and of this, £9.2 million related to the Portrait Fund's and Catalyst Fund's restricted long and short term investments combined.

Investment levels and reserves are reviewed frequently and when necessary investments are sold to realise gains and make cash available. During the year, the Committee reviewed the investment objectives of each portfolio in light of recent volatility in the investment markets. The objectives were adjusted to take into account that the present objectives would require the acceptance of a heightened level of risk in the portfolios, if returns were to be achieved. The Committee took the view that the present investment strategy should be maintained, in terms of the risk that the Gallery was willing to bear in each portfolio, accepting that this would reduce the target returns for the portfolios.

The investment targets for all portfolios were reviewed in the light of the more volatile environment that world markets had experienced over the past year or so. The Committee and its advisors took the view that this situation was likely to be the new 'norm' and the investment targets would need to be adjusted in recognition of this, given that the Gallery maintained its present limited appetite for risk across its investment portfolios.

The investment objectives of each reserve, in terms of the general objective of its portfolio of funds and the performance objective of the portfolio, are as follows:

Fund	Portfolio objective	Performance objective
Portrait Fund Reserve:	To assist the Gallery to acquire important portraits for the Collection and to cover the cost of related research, conservation, display and interpretation.	The chosen investment portfolio is designed by Partners Capital to target 5.5% to 6% nominal returns, based on a target return of RPI +2% (after assumed long term inflation of 2% to 2.5%).
Long term:	Long term total return, looking for modest capital appreciation. Investment timeframe of up to 5 years.	
Short term:	Preservation of capital the highest priority. Investment timeframe of 12 months.	
Catalyst Fund	As for the Portrait Fund	As for the Portrait Fund
Investment and Contingency Fund Reserve	A designation of surpluses to be invested in projects in accordance with the reserves policy.  Preservation of capital the highest priority. Investment timeframe of up to 12 months.	The chosen investment portfolio is designed by Partners Capital to target 3.5% to 4% nominal returns, based on a target return of RPI (after assumed long term inflation of 2% to 2.5%).

Fund performance is measured against agreed benchmarks, and an asset allocation profile is agreed for each fund. The investment and performance objectives are reviewed annually to try and ensure that they are achievable within prevailing and potential future market conditions, given the Gallery's and Portrait Fund's needs for liquidity and appetite for risk. Portfolio rebalancing normally occurs at each Investment Committee meeting (usually three times a year), but may be taken on a more frequent basis, where required, in response to market conditions. There is no leverage (borrowing to invest) at the portfolio level. Funds may not invest in illiquid assets (defined as assets that cannot be liquidated for cash within 18 months under normal redemption terms).

Where practicable, investments are made in Sterling-denominated securities or in collective investment funds that have a Sterling-hedged share class to minimise exposure to non-Sterling currencies. However, the investment portfolios include investments in overseas assets so some non-Sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive.

During the year, the Catalyst Fund portfolio was subsumed into the Portrait Fund portfolio, following the completion of the *Catalyst:Endowment* matched funding scheme. The Catalyst Fund portfolio had been constructed to mirror the Portrait Fund, in anticipation that it would be eventually subsumed into the Portrait Fund. At year-end, a small balance of £9,000 remained in the Catalyst portfolio to cover any fees and charges associated with the closure of the portfolio. Any remaining balance after these costs had been met would be transferred into the Portrait Fund portfolio.

By the end of the year, the Portrait Fund portfolio (including the former Catalyst Fund portfolio) stood at £9.2 million. As well as including the balance from the Catalyst Fund portfolio, the portfolio also received a further amount of £980,000 of Catalyst-related cash that had been held in the Gallery's Nat West accounts. The Portrait Fund also provided £200,000 towards the acquisition of the unfinished portrait of the 1st Duke of Wellington, by Thomas Lawrence. Ignoring the addition of the Catalyst cash, the combined Portrait Fund and Catalyst Fund portfolio appreciated in value by £612,000 (8%), net of management fees, and including the funding towards the Wellington portrait acquisition. During

the 2016 calendar year, the portfolio was behind its benchmark by around 1.8%, mainly due to its lower exposure to global equities. However it finished the financial year well, slightly ahead of the benchmark by 0.1%. In the year, the Investment and Contingency Fund portfolio had appreciated in value by £333,000 (8.5%), net of management fees, outperforming its benchmark of LIBOR, which in the same period returned 0.5%. Both portfolios had benefitted in the year from the strong performance of global equities and inflation-linked bonds. This was a good result during a very turbulent year which saw some significant and unexpected events.

### Reserves Policy

The Trustees perform an annual review of the Gallery's needs for reserves in line with the guidance issued by the Charity Commission. On average, around 30% of annual income is received as recurrent grant-in-aid from the government. The balance is derived from self-generated income which is mostly volatile and vulnerable to the prevailing economic climate. The Gallery has no general endowment and only a modest endowment for the support of the acquisition of major portraits (see below).

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to at least three-quarters of the average stock levels held at the Gallery.

The Trustees have designated an Investment and Contingency Fund to finance expenditure which:

- enables the objectives of the Gallery's five year Strategic and three year Corporate Plans to be achieved, in particular those which increase future income or the efficiency of operations; and/or
- acts as bridging to future increases in recurrent income.

Approximately £1 million of the £2 million balance as at 31 March 2017 has been earmarked to specific projects in 2017/18. A further £0.55 million has been set aside for contingencies, consisting of £0.3 million held as contingency against unforeseen expenditure and short-term losses of income and £0.25 million held in order to smooth fluctuations on baseline expenditure, which needs to be averaged across several years - such as the exhibitions programme. Any balance (up to £0.25 million per annum) allows the Director to take advantage of unexpected opportunities during the year. The fund is replenished with one-off unrestricted income (apart from legacies designated for The Portrait Fund as below) and with any annual surplus in excess of the balance maintained in the General Reserve.

The Deferred Projects Fund represents underspends generated in the previous financial year, which are to be employed in specific projects, usually in the current financial year; the full balance of £233,000 is expected to be spent in 2017/18.

Trustees have also designated The Portrait Fund for acquisitions and development of the Collection. Whenever the Gallery receives unrestricted legacies of £10,000 or more, Trustees consider their designation for The Portrait Fund (every legacy to the Gallery goes towards developing and caring for the Collection for future generations). Legacies under £10,000 will generally be spent on acquisitions, at the discretion of the Director.

The level of unrestricted funds is reviewed by Trustees four times a year. The reserves policy is reviewed by Trustees once a year.

### Related Parties

The Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various material transactions with the Department and with other entities for which the Department is regarded as the parent Department. More information on the Gallery's related party transactions is included in Note 23.

## REMUNERATION REPORT

The following sections provide details of the remuneration and pension interests of the Gallery's most senior management, consisting of the Director, Dr Nicholas Cullinan, and the Deputy Director, Pim Baxter.

### Service Contracts

Appointments of the Gallery's Director and Deputy Director are made on merit and on the basis of fair and open competition.

The Director has a permanent contract of employment, effective from April 2015, with a six month notice period and its terms are agreed with the Department for Culture, Media and Sport. The Director's contract is open ended. Early termination, other than for misconduct, would result in the Director receiving compensation as set out in the Civil Service Compensation Scheme.

The Deputy Director holds an appointment which is also open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Gallery generally appoints posts on a two year fixed term basis, except for those posts that are regarded as essential to the smooth running of the Gallery, and these are appointed on a permanent basis. Notice periods are between one and three months depending on the level of the post and length of service. Early termination other than for misconduct may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Trustees are appointed to serve for a period of four years with the possibility of renewal for a further period of four years at the end of that period. Their appointment is unremunerated, although Trustees may be reimbursed for expenses incurred on Gallery business.

### Audited Information

Remuneration paid to the Director and the Deputy Director during the year was as follows – figures in the table are audited information:

Name	Salary £000		Bonus payments £000		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total £000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Nicholas Cullinan <i>Director</i>	95-100	95-100	See below	Nil	-	-	39,000	38,000	135-140	130-135
Pim Baxter <i>Deputy Director</i>	80-85	80-85	Nil	Nil	-	-	20,000	44,000	100-105	125-130
			2016-17				2015-16			
Band of highest paid director's total remuneration (£000)			95-100				95-100			
Median Total Remuneration (£)			21,500				21,917			
Ratio			4.5				4.4 (re-stated)			

## Salary

“Salary” includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. Performance pay or bonuses paid, (Director’s salary only), are disclosed separately.

The Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee and is composed of the members of the Audit and Compliance Committee (see page 30) and the Chairman of the Trustees. Once a year the Chairman leads a discussion on the Director’s work, against the objectives agreed at the previous meeting of the Committee, in order to recommend to the Board the awarding of any performance related pay. The Director’s bonus can be up to 10% of his annual salary, subject to performance against the agreed objectives for that period. An element of the bonus up to a value of 1.5% of his annual salary can be consolidated, although this may vary in line with guidance issued by HM Treasury from time to time.

The remuneration of the Director, Dr Nicholas Cullinan, was £100,000. The outcome of the review of the Director’s bonus in 2016/17 by the Remuneration Committee had not occurred in time for it to be reflected in the accounts before they were approved by the Board of Trustees. As a consequence, a provision has been included in the accounts for the full value of the bonus that could be awarded to the Director. Should he be awarded the full 10% bonus of £10,000, his remuneration in 2016/17 would be £110,000. The bonus would be split between a non-consolidated bonus of £8,500 and a £1,500 bonus which would be consolidated into his annual salary, raising his annual salary to £101,500. In 2015/16, Dr Cullinan’s remuneration was £96,591 and he declined to take a bonus in that year.

The remuneration of the Deputy Director, Pim Baxter, is set out in her contract and subject to the annual pay review framework for all staff. Her salary does not include any performance related pay or bonuses.

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 banded, annualised remuneration of the highest-paid director in the Gallery in the financial year 2016/17 was £95-100,000. This assumes that the Director receives no bonus in 2016/17 year (see below). This would be 4.5 times (2015/16, 4.4 times - restated) the median remuneration of the workforce, which was £21,500 (2015/16, £21,917). Should the Director be awarded a full bonus, then this would be 5 times the median remuneration of the workforce.

In 2016/17, no employee received remuneration in excess of the highest-paid director, (likewise for 2015/16). The annualised remuneration ranged from £17,000 to £100,000 (2015/16, £14,000 to £100,000).

Total remuneration includes salary, non-consolidated performance-related pay (where it applies) and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions (CETV).

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. None of the above mentioned senior staff received any benefits in kind in 2016/17 (none also in 2015/16).

Trustees neither received nor waived any emoluments during the year (none also in 2015/16). Expenses reimbursed or paid on behalf of two Trustees amounted to £1,393, relating to travel and subsistence charges (in 2015/16, £655 for travel and subsistence for two Trustees). There was one off-payroll staff appointment made in the year, lasting for one month, for pay of more than £220 per day.

## Audited pension benefits

Name	Real increase in pension as at 31/3/17 and related lump sum £000	Total accrued pension at age 60 at 31/3/17 and related lump sum £000	CETV at 31/3/17 £000	CETV at 31/3/16 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Nicholas Cullinan <i>Director</i>	0-2.5	0-5	37	18	12	-
Pim Baxter <i>Deputy Director</i>	0-2.5 Plus lump sum of 2.5-5	20-25 Plus lump sum of 60-65	456	435	19	-

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

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

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

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their

pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

#### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

#### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### Reporting of Civil Service and other compensation schemes - exit packages

Following consultation between HM Treasury and Government Departments the Gallery must now provide summary data on its use of exit packages, in addition to any details it might have disclosed about the individual packages for those senior staff covered by the Remuneration Report. It must show the number of exit packages according to cost band, analysed by the number of compulsory redundancies and the number of other departures agreed. This information relating to exit packages agreed in 2016/17 - and the prior year - is provided in the table below, and is also audited information.



Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<£10,000 – 50,000	3	1	-	2	3	3
£50,000 - 100,000	-	-	-	-	-	-
£100,000 - 150,000	-	-	1	-	1	-
<b>Total number of exit packages</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>3</b>
			<b>Total cost in £</b>		<b>£132,981</b>	<b>£46,359</b>

Redundancy and other 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. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chairman of Trustees  
5 July 2017

## THE BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Between 1 April 2016 and 5 July 2017, the date on which the accounts were signed, the Trustees were:

Dr Brian Allen §  
Ms C Allegra Berman ‡  
Professor Dame Carol Black DBE\*  
Dr Rosalind P Blakesley  
Dr Augustus Casely-Hayford (to 16 May 2016)  
Rob Dickins CBE (from 1 June 2016)  
Kim Evans OBE\*  
The Rt Hon The Lord Janvrin GCB GCVO QSO ‡ # (to 14 October 2016)  
Dr Joanna Kennedy OBE FREng FICE  
Sir William Proby Bt CBE DL (Chairman)  
Dr Andrew Roberts  
David Ross \* #  
Stephan Shakespeare  
Professor Dame Marina Warner DBE FRSL FBA (to 14 October 2016)

### *ex officio*

President of the Royal Academy of Arts – Christopher Le Brun  
Lord President of the Council – The Rt Hon Chris Grayling MP (to 13 July 2016)  
Lord President of the Council – The Rt Hon David Lidington MP (from 14 July 2016)

\* Audit and Compliance Committee members. The Chair of the Audit and Compliance Committee during the year was Mr David Ross. Mr Stephen Souchon is co-opted on to the Audit and Compliance Committee to provide specialist accountancy knowledge (for a period of two years from June 2015). Mr Neil Spence and Dr Jacqueline Riding were appointed as additional co-opted, independent members of the Committee to increase its knowledge of museum and gallery operations and public sector and charity finances. Dr Jacqueline Riding was reappointed for 1 year from June 2015 and Neil Spence was reappointed for 2 years from May 2015.

# Development Council members. The Development Council was reformatted in April 2011 and David Ross is its Chair. Members meet individually with the Director and Deputy Director throughout the year, rather than attending formal Board meetings.

‡ Investment Committee members. The Chair of the Investment Committee during the year was Ms C Allegra Berman.

§ Finance Trustee

## EXTERNAL ADVISERS

Bankers: National Westminster Bank  
Strand Branch  
PO Box 414  
38 Strand  
London WC2H 5JB

External Auditors: Comptroller & Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London SW1W 9SP

PKF Littlejohn LLP  
Chartered Accountants  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

Solicitors:

Farrer & Co LLP  
66 Lincoln's Inn Fields  
London WC2A 3LH

Michelmores LLP  
Woodwater House  
Pynes Hill  
Exeter  
Devon EX2 5WR

Under statute, the Comptroller & Auditor General is the auditor of the Gallery's accounts for the year 2016/17. The audit fee in respect of this work was £33,500 (£35,000 in 2015/16). PKF Littlejohn LLP is the auditor for the National Portrait Gallery Company Limited and the audit fee in respect of their work was £9,615 (£9,500 in 2015/16).

Internal Auditors:

Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

Investment Advisors:

Partners Capital LLP  
5th Floor  
5 Young Street  
London W8 5EH

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chairman of Trustees  
5 July 2017

## PERFORMANCE AGAINST 2016/17 MANAGEMENT AGREEMENT INDICATORS

The Gallery's Management Agreement with the Department for Culture, Media and Sport, signed in March 2017 contains 12 separate performance indicators. The table below includes the 12 indicators stipulated in the Management Agreement. A number of the indicators stipulated in the Management Agreement were new and the statistics had not been collected in years prior to 2014/15. These indicators are reviewed annually and revised where appropriate. Summarised performance is given below and further reference within the relevant context is made within the Annual Report.

Core target	Note	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual
Total number of visits to the Gallery excluding virtual visits (000s)	1	1,758	2,048	2,054	1,988	2,082	2,103	1,879
Number of unique users visiting the website (000s)		13,725	‡3,214	3,626	4,103	4,213	4,997	4,746
Number of visits to the Gallery by children aged under 16 (000s)		118	134	161	145	159	153	156
Number of overseas visits (000s)		612	821	923	802	783	854	834
Number of facilitated and self-directed visits to the Gallery by visitors aged under 18 in formal education (000s)	2					45	41	42
Number of instances of visitors under 18 participating in on-site organised educational sessions (000s)	2					3	3	4
% of visitors who would recommend a visit	3	93	97	97	97 (Restated)	96	95	94
Total amount of charitable giving (£000s)	4				5,140	8,095	7,919 (re-stated)	5,291
Ratio of charitable giving to grant-in-aid					0.7:1	1.2:1	1.2:1	0.8:1
Net profit from trading company (£000)		406	765	686	715	1,045	1,226	1,061
Income from Exhibition Admissions and touring (£000)		990	1,955	2,640	2,230	2,147	2,884	3,023
Number of UK loan venues		133	118	118	142	144	95	92

‡ The method of reporting of website visits was changed to one based on Google Analytics, which gives a more accurate picture of web usage. The figures for 2011/12 were re-stated to reflect web visit figures based on Google Analytics, to provide a comparator to the statistics for future years.

**Note 1:** Visits to St Martin's Place only (excludes visits to national partner sites).

**Note 2:** These are new performance indicators introduced with the 2014 Management Agreement and before 2014/15 statistics relating to under 18 visits were not compiled, hence at this point there is no prior year comparator.

- Note 3:* Equates to visitors 'very likely' and 'fairly likely' to recommend a visit to the Gallery.
- Note 4:* Charitable giving includes gross income from activities which involve seeking financial support from, e.g. sponsors, private benefactors, charitable trusts. This includes Donations and legacies income (less any Lottery funding) and Exhibition and programme sponsorship income. The 2015/16 total has been re-stated to reflect more up-to-date information.

## STATEMENT OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

Under Sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the Board of Trustees is required to prepare a statement of accounts for each financial year in the form and on the basis as directed by the Secretary of State for Culture, Media and Sport in an Accounts Direction\*. The Accounts are prepared on an accruals basis and must give a true and fair view of the National Portrait Gallery's financial activities during the year and of its financial position at the end of the year.

In preparing the National Portrait Gallery's accounts the Board of Trustees is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 the going concern basis.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the National Portrait 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 Portrait Gallery's assets, are set out in *Managing Public Money* published by the HM Treasury.

So far as the Accounting Officer, and each person who was a Trustee at the date of approving this report, 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. Furthermore, the annual report and accounts as a whole is fair, balanced and understandable and the Accounting Officer acknowledges his personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chairman of Trustees  
5 July 2017

\*a copy of which is available from:  
National Portrait Gallery  
2 St Martin's Place,  
London WC2H 0HE

## GOVERNANCE STATEMENT

The Accounting Officer and the Chairman of Trustees (as representative of the Board of Trustees), have joint responsibility for maintaining a sound system of internal control that supports the achievement of the National Portrait Gallery's policies, aims and objectives, whilst safeguarding the public funds and Gallery assets. The purpose of the Governance Statement is to show how these responsibilities have been carried out in the course of the year.

### **The National Portrait Gallery's governance framework**

The National Portrait Gallery is a Non-Departmental Public Body supported by the Department for Culture, Media and Sport (DCMS). The Museums and Galleries Act 1992 established the corporate status of the Board of Trustees of the National Portrait Gallery. The Gallery has a Management Agreement with the DCMS which defines the Gallery's status as a Non Departmental Public Body and outlines the processes and procedures the DCMS expect the Gallery to observe when managing public funds. Funding from Government is provided in the form of grant-in-aid and how the Gallery deploys this funding is laid out in the Management Agreement. The Management Agreement includes twelve key performance indicators upon which the Gallery is required to report, and the results are included on pages 32 and 33 of this report, together with the results from prior years where these are possible to provide.

The Board consists of sixteen Trustees (including the Gallery's two ex-officio Trustees), appointed by the Prime Minister on the recommendation of the Secretary of State for Culture, Media and Sport with oversight by the Commissioner for Public Appointments, meets quarterly. Trustees have responsibility for overseeing the Gallery's affairs, determining the policies and overall strategy for the organisation, as prepared by the Director and the Senior Management Team, and in ensuring that the Gallery fulfils its statutory obligations. Trustees are expected to provide critical commentary on the current activities of the Gallery and to determine its overall direction for the future. There is a committee of the Board which covers Audit and Compliance, and another which advises on senior staff remuneration. The Gallery also has a Development Council to support fundraising initiatives, and an Investment Committee with a mix of Trustees and independent members to manage the investment of its cash reserves. There were some changes in the membership of the Board during the year and these are noted on page 30 of the report narrative.

The Director of the Gallery is Dr Nicholas Cullinan. He took up the post of Director on 14 April 2015. The appointment of the Director is made by the Trustees and approved by the Prime Minister. The Director is responsible for the overall leadership of the Gallery, its programmes of activities, the soundness of its finances, business and financial planning, its internal control and risk management processes and its external representation. As Accounting Officer, the Director is personally responsible, along with the Chairman of Trustees, for safeguarding the public funds and Gallery assets, in accordance with the responsibilities assigned to him in *Managing Public Money* and ensuring compliance with the requirements of the Gallery's Management Agreement.

The Audit and Compliance Committee is responsible for independent oversight of the Gallery's affairs. It receives reports annually from the internal and external auditors so that members of the Committee can assure themselves that the Gallery's affairs are managed economically, efficiently and within the powers delegated to it. The Committee also assesses and advises on the systems by which the Gallery manages and mitigates risk throughout the organisation. The Chair of the Committee advises the Accounting Officer and the Board of Trustees in the event of any unexpected threat to the Gallery's resources, operations or reputation. The Audit and Compliance Committee generally meets ahead of the plenary Board meeting so that Board level matters can be considered and discussed at the Committee meetings and then communicated to the Board.

The Senior Staff Remuneration Committee advises the Trustees on the performance and remuneration of the Director. The Committee is chaired by the Chairman of the Audit and Compliance Committee, and is composed of the other Trustee members of the Audit and Compliance Committee and the Chairman of Trustees.

The Investment Committee is appointed by the Board of Trustees to monitor the funds invested by the appointed investment consultants and to ensure that the funds are invested in compliance with the agreed Investment Strategy. The Committee is chaired by a Trustee but also includes independent co-opted members who have particular skills in investment management.

The Development Council consists of Trustees - one of which chairs the Council - and independent members that have strengths in different industries and social networks, and who act as senior volunteer advisers to the Gallery's Development department on priority fundraising projects. They act as high profile advocates of the Gallery's work in both a professional and private capacity.

While responsibility for financial oversight rests with the whole Board of Trustees, the Board invites one of its members to act as Finance Trustee and to report to the Board on budgetary matters and financial planning. This role focuses on the financial health of the Gallery, and is distinct from the work undertaken by the Audit and Compliance Committee.

There is a Register of Trustees' Interests, disclosing details of company directorships and other significant interests held by them, close family and persons living in the same household, which is open to the public, and is available in The Heinz Archive and Library.

All Trustees must declare publicly any personal or business interests that might be perceived to conflict with their public duties. Common law requires that members of public bodies should not participate in the discussion or determination of matters during meetings in which they have a direct pecuniary interest. Trustees are prompted at the start of meetings to declare if they, close family members or persons living in the Trustee's household have an interest, pecuniary or other, in a matter being considered. The Board or Committee will then decide whether it is appropriate for the Trustee to participate in or have information concerning the matter being considered, or whether the Trustee should withdraw from the meeting. Detailed guidance about how Trustees should handle conflicts of interest is contained in the Trustees' Handbook, which is issued to each Trustee upon appointment.

Statistics reporting the attendance of individual Trustees at Board and Sub-Committee meetings are disclosed in the Appendix to the Governance Statement on pages 41 and 42. On average, over the year 2016/17, each Board meeting was attended by 87% of the Trustees, excluding the ex-officio Trustees.

The Director leads the Management Team, which carries responsibility for overseeing and shaping the management of the Gallery across all aspects of its work, including the implementation of the Corporate Plan and the individual departmental business plans that underpin it. The Management Team meets on a fortnightly cycle but the membership of the meetings is different. Firstly, there is the Senior Management Team (SMT), which consists of the Heads of the Gallery's Departments, Curators and the heads of certain key teams. The SMT takes responsibility for evaluating current work and initiatives, as well as reviewing policies. SMT also holds an annual review day in order to discuss key issues facing the Gallery, ways of improving working practices and responses to Government cultural policy. Secondly there is the Directors' Meeting, which supports the SMT and consists of the Heads of Departments. In prior years it was referred to as the Planning Team. It provides a forum for key decision making for strategic, financial and risk related issues. The SMT and Directors' meetings are held monthly on an alternate, fortnightly cycle.

In 2006 the Gallery established the Portrait Fund to support the acquisition and conservation of important portraits for the Collection. The Portrait Fund was established under a Declaration of Trust with the purpose of creating a restricted fund to support the purchase of acquisitions. The Fund has its own Board of Trustees, the majority of whom are also Gallery Trustees. The results of the Fund are consolidated into the Gallery's annual accounts.

The Gallery has a wholly owned subsidiary company, the National Portrait Gallery Company Limited, the "Company". The Company has a Board of five Directors, including one Trustee, three Gallery senior executives (one of which is the Director of the Gallery), and an independent non-executive director. The Board of Directors meets three times a year. As well as the Directors of the Company, the Audit and Compliance Committee also reviews the performance of the Company, its annual report



and accounts and the Company external auditors' audit strategy and Management Letter. To date the external auditors have not identified any significant control weaknesses in the processes and controls operated by the Company.

### **The Board of Trustees' performance in 2016/17**

The Board has a governance review session every year, and every other year all trustees complete a detailed questionnaire to assess the Board's effectiveness. This session is undertaken at the Trustees' Strategic Review Day and consists of an overall review of the Board's effectiveness, and is followed up by a review by the Chairman of Trustees of the effectiveness of individual Trustees, through a series of one-to-one meetings between the Chairman and individual Trustees. The last Board review took place in September 2013, as the September 2015 and 2016 Review Days concentrated on the Gallery's major transformational capital project (the *Inspiring People* project – details of which can be found in the Gallery's Corporate Plan which can be viewed on the Gallery's website). The review in 2013 indicated the Board considered that, overall, the Board had performed effectively, and that the one-to-one meetings with the Chairman had been helpful in reviewing and reflecting upon the contribution of individual Trustees. Detail on this review was provided in the 2013/14 Governance Statement. An interim review was undertaken in September 2014 at which the Trustees considered the skills set of the Board in the light of the challenges ahead and in view of appointments that were due to expire in the near future. They identified that it would be important, in view of the *Inspiring People* project, to ensure that the Board had skills in buildings development and architecture and in response to this Dr Joanna Kennedy was appointed in June 2015. Certain Trustees mentioned that they wished to be more engaged in certain of the learning based activities. The next Board full review is planned for September 2017.

### **Committee reports to the Board**

The minutes of the Audit and Compliance Committee and the Investment Committee are circulated to all Trustees and at each Board meeting the Chairs of the two committees brief the Board about the business which was discussed at the Committee meetings and the key outcomes arising. Each year, the Chair of the Audit and Compliance Committee submits an annual report on the effectiveness of the Gallery's risk management processes. As well as the annual report from the Chair of the Audit and Compliance Committee, the Accounting Officer and Board rely on assurances from several other sources, including the Annual Internal Audit Report to the Audit and Compliance Committee from the Head of Internal Audit (HIA), and Budget Holder, Budget Supervisor and Budget Manager end-of-year assurance statements. Together these reports and statements provide assurances confirming that a sound system of internal control has been maintained throughout the year.

The Chair of the Audit and Compliance Committee's report details the actions which have been taken by the Gallery during the year to mitigate risk and to improve and strengthen internal control, during 2016/17. The Gallery continued to progress its *Inspiring People* project. In December it lodged a bid with the Heritage Lottery Fund (HLF) for grant support towards the project. The outcome of the submission would be known in June 2017. During the year the *Inspiring People* fundraising campaign had secured a number of significant pledges. The Gallery also submitted a Strategic Outline Case to the DCMS finance committee, covering the project. The committee approved the submission and for the project to proceed to the next, Outline Business Case stage. The Gallery continued to improve and strengthen its buildings, systems and management infrastructure through the ongoing implementation of a Customer Relationship Management and Ticketing System (CRMTS) which enabled the Gallery to become less reliant on third party providers and to improve its service to its visitors through the creation of an in-house contact centre. During the year the CRMTS was extended to include the work of the Development, Learning and Retail teams. Key policies covering Publishing, Anti-Fraud Policy, the Scheme of Delegation, were reviewed and updated during the year, as well as the Displays Strategy and the National Programmes Strategy. New staff performance procedures were implemented following a successful pilot in the preceding year.

The Chair of Audit and Compliance Committee's report also outlines the key risks facing the Gallery in the near future. These are highlighted in the risk assessment later in the Statement. Any key issues arising from the previous year's audit of the Gallery's consolidated accounts and the Company's accounts are covered in the report, as well as progress with the implementation of audit recommendations made by the external auditors, which are also outlined in the report. The report

concluded that the Audit and Compliance Committee considered that the risk management processes operated by management in the year had been sound, and that the key areas of risk identified for the forthcoming year were appropriate.

The HIA's report provided the Accounting Officer with reasonable assurance on the effectiveness of the Gallery's risk management, control and governance processes reviewed as part of the 2016/17 internal audit plan. The audit work consisted of six audits, which included a review of Collection conservation, business continuity procedures, IT security, on-line retail, HR and payroll systems and key financial controls. Overall, the HIA considered that "there is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved". The report also noted that the Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit "to highlight any significant issues identified during the year and for management to include them in the Governance Statement. There are no significant findings that we consider warrant reference in the Governance Statement". Internal Audit noted that the assurance ratings and number of recommendations had slightly increased in the year, however, this was not indicative of a deterioration in the internal control profile of the Gallery.

Work continued on implementing the four outstanding recommendations from the Assurance Mapping exercise, with all to be completed by September 2017. Assurance Mapping is defined as a mechanism for linking assurances from various sources to the risks that threaten the achievement of an organisation's outcomes and objectives. The report from the mapping exercise concluded that Internal Audit considered that "the NPG has an effective assurance framework in place, with most areas operating 'three lines of defence'. There are improvements to be made, but these are generally recognised and action is already being taken. NPG are a particularly 'self-aware' organisation in this respect".

Progress with the implementation of internal audit recommendations is reviewed by Planning Team and Audit and Compliance Committee at each meeting.

The regular reports from the Chair of the Investment Committee update the Board on performance of the Gallery's investment portfolios, and the effectiveness of the investment advisors managing the portfolios. The Investment Committee plays a significant role in the management of investment risk. Key to this is ensuring that the investment advisors adhere to the Investment Strategy. The Investment Strategy is reviewed regularly by the Committee and also by the Board. The Strategy determines the objectives of the Gallery's investment portfolios, taking into account the differing requirements with regard to risk and liquidity of the various reserves held by the Gallery. The Strategy also includes any restrictions the Trustees have stipulated in how the reserves are to be invested and how performance should be measured. Asset allocations proposed by the investment advisors are reviewed against the objectives of the Investment Strategy to ensure that what is proposed is appropriate.

The reports from the Chair of the Investment Committee cover the performance of the investment portfolios during the quarter, the changes made to asset allocations and the consequences for the portfolios as a result in terms of risk. To date the Chair of the Investment Committee has reported to Trustees that the Committee continued to work well and that she believed that the independent members provided balanced, thoughtful advice and constructive challenge to the investment proposals put forward by the investment advisors. The Committee undertook a review of the Gallery's investment advisors in July 2016, re-appointing Partners Capital following the review. More detail about the work of the Committee and the performance of the portfolios in the year is contained on pages 22 - 24 and the balances are disclosed in Note 8 to the accounts.

### **Compliance with the *Corporate Governance Code*, and other good practice**

The Board complies with the principles laid out in *Corporate governance in central government departments*, "the Code". There are certain principles in the Code which are not applicable to the Gallery's Board and these relate in the main to central government boards' roles relating to government policy making and the powers of ministers. Other elements which are not applicable include certain elements in the Code dealing with board composition and the board's relationship with its Arms Length Bodies. Furthermore, there is a key difference between the Gallery's Board and

those in central government, for whom this guidance has been written, in that the Gallery's Board of Trustees has statutory obligations to observe under the Museums and Galleries Act 1992, whereas central government boards are purely advisory.

The Gallery seeks to uphold the highest standards of governance through the accountability and transparency of its management processes, decision-making and communications. Board of Trustee meeting minutes can be viewed on the Gallery's website at

<http://www.npg.org.uk/about/corporate/trustees-and-trustees-meetings/>.

### **Assurances and other data provided to the Board**

The Board receives information from a wide variety of sources which underpins its assessment of the effectiveness and strength of governance and internal control. Besides its own review of effectiveness and the reports from the Chair of Audit and Compliance Committee, the Board receives and places reliance on reports from both internal and external audit.

A key role for the Board is to review and approve the Gallery's Corporate Plan and associated budget. The objectives for the Gallery in 2016/17, and the strategies it will employ to achieve the objectives, are laid out in the 2016/19 Corporate Plan, which can be viewed on the Gallery's website at <http://www.npg.org.uk/assets/files/pdf/corporate/busplan20162019.pdf>. As well as approving the Plan, the Board oversees the progress that the Director and the senior management team make in implementing the Plan, providing commentary and guidance on their work as necessary. In the main, this is facilitated by the Board reviewing a set of financial and non-financial performance indicators (KPIs) on a quarterly basis. During 2016/17 the KPIs showed that the Gallery had, overall, performed well in most areas during the year, despite experiencing a drop in visitor numbers, which appeared to have been a phenomenon experienced by most of the central London national museums and galleries during the year. Pages 32 and 33 include a table of performance indicators comparing the results to those achieved in previous years.

The Board also receives quarterly financial reports (in the form of summary management accounts including an explanatory narrative) as well as the financial and non-financial key performance indicators, to provide Trustees with a broad picture of performance in the quarter against the budget set for the year. The data in the financial reports is reconciled to the year-end accounts which are independently audited. The Board and the Audit and Compliance Committee review on a quarterly basis the Corporate Risk Register, which contains the key risks facing the Gallery. Audit and Compliance Committee also review certain of the Departmental Risk Registers which underpin the Corporate Risk Register to see how the risks in the Departmental Registers feed up into the Corporate Risk Register. The Audit and Compliance Committee also discusses, on a regular basis, internal control and risk management in areas critical to the Gallery's business with the relevant Heads of Department, to ensure that risks are effectively managed in these areas, and that the Corporate Risk Register reflects the profile of risk covered in the discussions with the Head of Department. Trustees receive a weekly summary of the Gallery's coverage in the Press, including high-lights, which assist in providing Trustees with an external view of the Gallery's performance.

As a matter of course, the Board reviews and approves key Gallery policies, and revisions to them. It also receives annual reports from senior management relating to important areas of compliance and how the Gallery has conducted itself in these areas, for instance in Health and Safety and Freedom of Information. Senior management also provides annual reports covering important Gallery programmes, like the Exhibitions Programme and the work undertaken as part of its National Programme with regional bodies and other external partners. These reports and submissions provide the Board with a broad picture of how the Gallery is performing.

At the year end, budget managers provide the Accounting Officer with an annual assurance statement confirming that they have complied with the National Portrait Gallery's published policies and with the financial and risk management procedures. In rare circumstances budget managers have qualified their statements and where this is considered material, the statement is brought to the attention of the Audit and Compliance Committee. No material qualifications were brought to the attention of the Accounting Officer or the Audit and Compliance Committee in 2016/17.

### **The Board's review of risk management during the year and into the future**

Each year the Trustees review the Gallery's risk appetite, which sets the level of risk the Gallery is willing to accept across different areas of its programmes and operations. They also review the criteria for evaluating risk. Both these factors are critical in ensuring that risk is evaluated in a consistent manner and that the Gallery's response to the risk is appropriate and proportionate. How the Gallery's risk profile is reviewed and monitored has been explained already. Internal Audit review the Gallery's risk management processes on a regular basis and report their findings to the Accounting Officer and Audit and Compliance Committee. The last review was in July 2014 and an audit of risk management processes is planned for 2017/18. The Chair of the Audit and Compliance Committee, in an annual report on risk to the Board, explains the Gallery's response to risk during the year, and outlines the key risks facing the Gallery into the future. As at 31 March 2017 the key risks facing the Gallery in the forthcoming year are mainly financial and reputational. The most serious risks are in maintaining levels of self-generated income and keeping costs down within its core running cost budgets. The Gallery is responding to this risk by strengthening its own income generation, as well as reviewing elements of its core cost base. The successful implementation of the *Inspiring People* project will be important for the Gallery by providing it with the means to secure a more financially sustainable future.

The UK's decision to leave the European Union also presented risks to the Gallery, mainly resulting from its impact on the value of sterling against other currencies. The Gallery was already experiencing the consequences of the fall in sterling's value, particularly in the costs of transportation relating to the loans borrowed for its exhibitions. In the wider economy, the fall in the value of sterling since June 2016 was responsible for a rise in general inflation, which if it continued would generate more pressure on the Gallery's core cost base. Maintaining an adequate level of reserves in accordance with the Reserves Policy would alleviate the potential impact from these risks in the short term.

These risks are reflected in the Gallery's Corporate and Departmental Risk Registers, which include contingent and mitigating action should these and other risks identified by management crystallise.

The National Portrait Gallery has suffered no protected personal data incidents in 2016/17 and has made no such report to the Information Commissioner's Office.

No ministerial directions were given.

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chair of Trustees  
5 July 2017

## **Appendix to Governance Statement – Trustee attendance 2016/17**

### **Full Board meeting attendance**

	Attendance in 2016/17(%)
<b>Current Trustees</b>	
Dr Brian Allen	100
Allegra Berman	100
Professor Dame Carol Black	100
Dr Rosalind Blakesley	100
Dr Augustus Casely-Hayford	0
Rob Dickins	100
Kim Evans	100
Lord Janvrin	50
Dr Joanna Kennedy	100
Sir William Proby (Chairman)	100
Dr Andrew Roberts	75
David Ross	100
Stephan Shakespeare	0
Marina Warner	50

**Average attendance by Trustees over the year** **87**

Rob Dickins' period of appointment in 2016/17 included three Trustee meetings only. Dr Augustus Casely-Hayford, Stephan Shakespeare and Marina Warner's period of appointment in the year consisted of two meetings before their terms as Trustees expired.

### **Audit and Compliance Committee attendance**

	Attendance in 2016/17 (%)
<b>Attendance</b>	
David Ross (Trustee and Chairman)	75
Kim Evans (Trustee)	100
Professor Dame Carol Black (Trustee)	75
Stephen Souchon	75
Neil Spence	100
Jacqueline Riding	100

**Average attendance by Committee members over the year** **86**

Jacqueline Riding's term as a member of the Audit and Compliance Committee included two meetings in the year, before her term expired.

**Investment Committee attendance**Attendance in  
2016/17 (%)**Attendance**

Allegra Berman (Trustee and Chairman)	100
Lord Janvrin (Trustee)	100
Jeremy Sillem	67
Anthony Brooke	67
Ben Whitmore	100

**Average attendance by Investment  
Committee members over the year****85**

Lord Janvrin's term as a member of the Investment Committee included one meeting only in the year, before his term expired.

These statistics show attendance by Trustees at full Board and Board sub-committee meetings held during 2016/17. The tables do not include the Trustees' attendance at numerous events held by the Gallery during the year, or the meetings attended or consultations given by Trustees about Gallery business outside of these Board and sub-committee meetings.

## **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 Portrait Gallery for the year ended 31 March 2017 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated and Gallery Statements of Financial Activities, the Consolidated and Gallery Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration 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 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 Portrait Gallery's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Portrait Gallery and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' and Accounting Officer's 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 group's and the National Portrait Gallery's affairs as at 31 March 2017 and of its net income/(expenditure) 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 Trustees' and Accounting Officer's 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 Date**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**11 July 2017**



**CONSOLIDATED STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017**

		Unrestricted Funds	Restricted Funds	<b>Total 2017</b>	Unrestricted Funds	Restricted Funds	<b>Total 2016</b>
Notes		£000	£000	£000	£000	£000	£000
<b>INCOME AND ENDOWMENTS FROM:</b>							
<b>Grant in Aid</b>	2a	6,637	-	<b>6,637</b>	6,634	-	6,634
<b>Donations and legacies</b>	2b	1,743	2,470	<b>4,213</b>	1,330	5,527	6,857
<b>Income from charitable activities</b>							
Exhibitions admissions and touring income		3,005	18	<b>3,023</b>	2,878	6	2,884
Exhibition and programme sponsorship income		1,115	-	<b>1,115</b>	1,278	-	1,278
Learning and access income		109	3	<b>112</b>	81	-	81
		<u>4,229</u>	<u>21</u>	<b>4,250</b>	<u>4,237</u>	<u>6</u>	<u>4,243</u>
<b>Income from other trading activities</b>	2c	4,693	-	<b>4,693</b>	4,879	-	4,879
<b>Other income</b>	2d	280	9	<b>289</b>	224	8	232
<b>Investment income</b>	3	9	1	<b>10</b>	20	-	20
<b>Total income and endowments</b>		<u>17,591</u>	<u>2,501</u>	<b>20,092</b>	<u>17,324</u>	<u>5,541</u>	<u>22,865</u>
<b>EXPENDITURE ON:</b>							
<b>Costs of raising funds</b>							
Costs of raising donations and legacies	5	1,185	36	<b>1,221</b>	973	34	1,007
Costs of fundraising trading	5	3,764	27	<b>3,791</b>	3,799	37	3,836
Investment management costs	5	11	48	<b>59</b>	17	12	29
	5	<u>4,960</u>	<u>111</u>	<b>5,071</b>	<u>4,789</u>	<u>83</u>	<u>4,872</u>
<b>Costs of charitable activities</b>							
Extending and broadening audiences	5	2,800	674	<b>3,474</b>	2,537	953	3,490
Developing the Collection	5	4,988	253	<b>5,241</b>	4,837	275	5,112
Increasing understanding and engagement with the Collection	5	6,079	1,177	<b>7,256</b>	6,161	1,043	7,204
	5	<u>13,867</u>	<u>2,104</u>	<b>15,971</b>	<u>13,535</u>	<u>2,271</u>	<u>15,806</u>
<b>Total Resources expended</b>		<u>18,827</u>	<u>2,215</u>	<b>21,042</b>	<u>18,324</u>	<u>2,354</u>	<u>20,678</u>
<b>Net gains/(losses) on investments</b>	8	348	860	<b>1,208</b>	69	(157)	(88)
<b>Net income/(expenditure)</b>		<u>(888)</u>	<u>1,146</u>	<b>258</b>	<u>(931)</u>	<u>3,030</u>	<u>2,099</u>
Transfers between funds	13	(420)	420	-	(757)	757	-
<b>Other recognised gains/(losses):</b>							
Gains on revaluation of fixed assets	6&13	27	2,262	<b>2,289</b>	80	1,282	1,362
<b>Net movement in funds</b>		<u>(1,281)</u>	<u>3,828</u>	<b>2,547</b>	<u>(1,608)</u>	<u>5,069</u>	<u>3,461</u>
<b>Reconciliation of funds:</b>							
Total funds brought forward at 1 April		9,276	121,773	<b>131,049</b>	10,884	116,704	127,588
<b>Total funds carried forward at 31 March</b>		<u>7,995</u>	<u>125,601</u>	<b>133,596</b>	<u>9,276</u>	<u>121,773</u>	<u>131,049</u>

All operations of the Gallery continued throughout both periods and no operations were acquired or discontinued in either period.

The notes on pages 50 to 73 form part of these accounts.

**GALLERY STATEMENT OF FINANCIAL  
ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017**

		Unrestricted Funds	Restricted Funds	Total 2017	Unrestricted Funds	Restricted Funds	Total 2016
Notes		£000	£000	£000	£000	£000	£000
<b>INCOME AND ENDOWMENTS FROM:</b>							
<b>Grant in Aid</b>	2a	6,637	-	<b>6,637</b>	6,634	-	6,634
<b>Donations and legacies</b>	2b	1,743	2,470	<b>4,213</b>	1,330	5,527	6,857
<b>Income from charitable activities</b>							
Exhibitions admissions and touring income		3,005	18	<b>3,023</b>	2,878	6	2,884
Exhibition and programme sponsorship income		1,115	-	<b>1,115</b>	1,278	-	1,278
Learning and access income		109	3	<b>112</b>	81	-	81
		<u>4,229</u>	<u>21</u>	<b><u>4,250</u></b>	<u>4,237</u>	<u>6</u>	<u>4,243</u>
<b>Income from other trading activities</b>	2c	3,797	-	<b>3,797</b>	3,982	-	3,982
<b>Other income</b>	2d	262	9	<b>271</b>	206	8	214
<b>Investment income</b>	3	5	1	<b>6</b>	15	-	15
<b>Total income and endowments</b>		<u>16,673</u>	<u>2,501</u>	<b><u>19,174</u></b>	<u>16,404</u>	<u>5,541</u>	<u>21,945</u>
<b>EXPENDITURE ON:</b>							
<b>Costs of raising funds</b>							
Costs of raising donations and legacies	5	1,185	36	<b>1,221</b>	973	34	1,007
Costs of fundraising trading	5	2,846	27	<b>2,873</b>	2,879	37	2,916
Investment management costs	5	11	48	<b>59</b>	17	12	29
	5	<u>4,042</u>	<u>111</u>	<b><u>4,153</u></b>	<u>3,869</u>	<u>83</u>	<u>3,952</u>
<b>Costs of charitable activities</b>							
Extending and broadening audiences	5	2,800	674	<b>3,474</b>	2,537	953	3,490
Developing the Collection	5	4,988	253	<b>5,241</b>	4,837	275	5,112
Increasing understanding and engagement with the Collection	5	6,079	1,177	<b>7,256</b>	6,161	1,043	7,204
	5	<u>13,867</u>	<u>2,104</u>	<b><u>15,971</u></b>	<u>13,535</u>	<u>2,271</u>	<u>15,806</u>
<b>Total Resources expended</b>		<u>17,909</u>	<u>2,215</u>	<b><u>20,124</u></b>	<u>17,404</u>	<u>2,354</u>	<u>19,758</u>
<b>Net gains/(losses) on investments</b>	8	348	860	<b>1,208</b>	69	(157)	(88)
<b>Net income/(expenditure)</b>		<u>(888)</u>	<u>1,146</u>	<b><u>258</u></b>	<u>(931)</u>	<u>3,030</u>	<u>2,099</u>
Transfers between funds	13	(420)	420	-	(757)	757	-
<b>Other recognised gains/(losses):</b>							
Gains on revaluation of fixed assets	6&13	27	2,262	<b>2,289</b>	80	1,282	1,362
Net movement in funds		<u>(1,281)</u>	<u>3,828</u>	<b><u>2,547</u></b>	<u>(1,608)</u>	<u>5,069</u>	<u>3,461</u>
<b>Reconciliation of funds:</b>							
Total funds brought forward at 1 April		9,276	121,773	<b>131,049</b>	10,884	116,704	127,588
<b>Total funds carried forward at 31 March</b>		<u>7,995</u>	<u>125,601</u>	<b><u>133,596</u></b>	<u>9,276</u>	<u>121,773</u>	<u>131,049</u>

All operations of the Gallery continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

The notes on pages 50 to 73 form part of these accounts.

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2017**

	Notes	£000	2017 £000	2016 £000
<b>Fixed Assets</b>				
Tangible assets	6		88,540	88,177
Heritage Assets	7		31,522	29,155
Available for Sale Financial Assets - Investments	8		5,238	4,587
			<b>125,300</b>	121,919
<b>Current Assets</b>				
Stock	11	639		645
Debtors and prepayments	10	1,234		1,090
Available for Sale Financial Assets - Investments	8	8,214		6,928
Cash at bank and in hand	9	1,387		3,120
		<b>11,474</b>		11,783
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12	3,178		2,653
<b>Net Current Assets</b>			<b>8,296</b>	9,130
<b>Total Assets less Current Liabilities</b>			<b>133,596</b>	131,049
<b>Net Assets</b>			<b>133,596</b>	131,049
Represented by:				
<b>Restricted Funds</b>				
	13		63,197	61,631
<b>Fixed Asset Revaluation Fund</b>	13		62,404	60,142
<b>Total Restricted Funds</b>			<b>125,601</b>	121,773
<b>Unrestricted Funds</b>				
Designated funds	13		7,431	8,739
Fixed asset revaluation fund	13		264	237
<b>Total Designated funds</b>			<b>7,695</b>	8,976
General funds	13		300	300
<b>Total Funds</b>			<b>133,596</b>	131,049

The notes on pages 50 to 73 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chairman of Trustees  
5 July 2017

**GALLERY BALANCE SHEET**  
**AS AT 31 MARCH 2017**

	Notes	£000	2017 £000	2016 £000
<b>Fixed Assets</b>				
Tangible assets	6		<b>88,540</b>	88,177
Heritage Assets	7		<b>31,522</b>	29,155
Available for Sale Financial Assets - Investments	8		<b>5,238</b>	4,587
			<b>125,300</b>	121,919
<b>Current Assets</b>				
Stock	11	<b>323</b>		314
Debtors and prepayments	10	<b>2,135</b>		2,183
Available for Sale Financial Assets - Investments	8	<b>8,214</b>		6,928
Cash at bank and in hand		<b>725</b>		2,222
		<b>11,397</b>		11,647
<b>Current Liabilities</b>				
Creditors (amounts falling due within one year)	12	<b>3,101</b>		2,517
<b>Net Current Assets</b>			<b>8,296</b>	9,130
<b>Total Assets less Current Liabilities</b>			<b>133,596</b>	131,049
<b>Net Assets</b>			<b>133,596</b>	<b>131,049</b>
Represented by:				
<b>Restricted Funds</b>				
	13		63,197	61,631
<b>Fixed Asset Revaluation Fund</b>	13		<b>62,404</b>	<b>60,142</b>
<b>Total Restricted Funds</b>			<b>125,601</b>	<b>121,773</b>
<b>Unrestricted Funds</b>				
Designated funds	13		7,431	8,739
Fixed asset revaluation fund	13		264	237
<b>Total Designated funds</b>			<b>7,695</b>	<b>8,976</b>
General funds	13		<b>300</b>	300
<b>Total Funds</b>			<b>133,596</b>	<b>131,049</b>

The notes on pages 50 to 73 form part of these accounts.

Dr Nicholas Cullinan  
Accounting Officer  
5 July 2017

Sir William Proby  
Chairman of Trustees  
5 July 2017

**CONSOLIDATED CASH FLOW STATEMENT**  
**AS AT 31 MARCH 2017**

	Notes	2017 £000	2016 £000
<b>Cashflow from operating activities</b>	19	<b>1,190</b>	73
<b>Cashflow from investing activities</b>			
Payments to acquire tangible fixed assets		(2,153)	(973)
Payments to acquire investments		(2,040)	-
Receipts from sales of investments		1,260	-
Dividends, interest and rent received from investments		<u>10</u>	<u>20</u>
	19	<b>(2,923)</b>	(953)
<b>Cashflow from financing activities</b>	19	-	-
<b>Change in cash and cash equivalents in the year</b>		<u>(1,733)</u>	<u>(880)</u>
<b>Cash and cash equivalents at 1 April 2016</b>		<b>3,120</b>	4,000
<b>Cash and cash equivalents at 31 March 2017</b>		<u><b>1,387</b></u>	<u>3,120</u>

The notes on pages 50 to 73 form part of these accounts.

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017**

### **1. ACCOUNTING POLICIES**

#### **a) *Basis of accounting***

The accounts have been prepared under the historic cost convention modified to include the revaluation of land and buildings and required valuation methods for financial instruments. The accounts comply with FRS 102, the Charities SORP (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice, applicable accounting standards and the Accounts Direction issued by the Department for Culture, Media and Sport. The accounts include the Grant-in-Aid account and two trust funds (established by the Gallery under Deeds of Trust) administered by the Gallery (the Dame Helen Gardner bequest and the Portrait Fund) and exclude the American Friends of the National Portrait Gallery (London) Foundation Inc, a US grant-giving organisation with 501 (c) (3) tax status, over which the Gallery has no direct control. The accounts also exclude the Portrait Trust, which is an independent foundation trust established in March 2012, over which the Gallery has no control. The Gallery is recognised as an exempt charity under the provisions of the Charities Act 2011 and is a public benefit entity. The accounts have been prepared on a going concern basis, in accordance with the Accounts Direction, but also on the basis that, in the light of the Gallery's status as a statutory body, the Board of Trustees and Accounting Officer consider that there are no material uncertainties about the Gallery's ability to continue.

The Consolidated accounts are for the National Portrait Gallery and its subsidiary National Portrait Gallery Company Limited (the Company), (company number 6015724); the Company began trading on 1 April 2007. The Gallery is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1998. Income arising from activities of the trading subsidiary are gift aided to the Gallery.

#### **b) *Income***

All income is included in the Statement of Financial Activities when the Gallery is entitled to the income, receipt is probable and its amount can be measured reliably.

Income received in advance is deferred where it would be repayable if conditions are not met in the future.

Grant-in-Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to the Statement of Financial Activities in the year it is received.

Gifts in kind are treated as donations in the period the gift is received at the gross value to the Gallery at the time of the gift.

Legacies are recognised as income when there is entitlement, receipt is probable and the legacy amount can be measured reliably.

All income from exhibition sponsorship is recognised in full in the year in which the exhibition commences.

#### **c) *Expenditure***

Expenditure is classified under the principal categories of charitable expenditure and the costs of raising funds rather than the type of expense, in order to provide more useful information to users of these accounts. Irrecoverable VAT is treated as an expense.

Charitable activities expenditure and costs of raising donations and legacies comprise direct expenditure including direct staff costs attributable to the Gallery, the cost of donor cultivation, advocacy and communications, as well as legal expenses and certain fundraising project expenses. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of the resources (these general overheads include the costs of directorate and office services, personnel, finance and planning, governance, IT and communications, facilities management and depreciation). Fundraising costs are those incurred in seeking voluntary contributions for the Gallery.

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

## 1. ACCOUNTING POLICIES (continued)

### d) *Fund accounting*

Unrestricted funds:

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

Restricted funds are those subject to specific restrictions imposed by donors, by the purpose of the appeal or conditions of the funding.

Restricted funds include the Portrait Fund. The Portrait Fund is governed by a separate Declaration of Trust, through which an initial balance for the Fund of £1,087,000 was transferred to restricted funds. Subsequent income provided to the Fund can only be recognised as restricted income if it is received from donors specifying that the donation is for the purposes of the Portrait Fund.

### e) *Heritage assets*

Heritage assets are capitalised where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. Heritage assets are not depreciated as a matter of routine. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate, and are not revalued in future periods. Impairment reviews are carried out at the end of each reporting period, to ensure that the carrying values of the heritage assets reflect their carrying amounts.

Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the Statement of Financial Activities when it is incurred.

### f) *Tangible fixed assets*

The Gallery capitalises the purchase of assets which cost more than £5,000. IT hardware and software assets which cost more than £1,000 are also capitalised, as too are laptops, PC monitors and central processor units.

Land and buildings are professionally valued every five years; the last such valuation was undertaken as at 31 March 2014. In the years between professional valuations of land and buildings, and every year for certain other fixed assets, National Statistical and other appropriate indices are used to adjust the net book value of the assets. A desk top valuation of the land element is also undertaken in each year between professional revaluations, by the Gallery's surveyors. Assets other than land, buildings, plant and machinery are accounted for on a depreciated historical cost basis, these assets are either of low value or have short lives, therefore the impact of applying indexation would not be material. Impairment reviews are carried out at the end of each reporting period, in accordance with the Charities SORP (FRS 102), to ensure that the carrying values of the assets reflect the recoverable amounts.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the costs less estimated residual value of each asset on a straight line basis. For buildings and plant and machinery, depreciation is calculated after indexation; for assets under construction, depreciation is not charged until the year the asset has been brought into use. Depreciation is charged on additions and not on disposals.

Indicative asset lives are as follows:

Freehold buildings	5 - 70 years
Leasehold land and buildings	length of lease (10 - 99 years) or Useful Economic Life (40-50 years), whichever is shorter
Plant and machinery	5 - 19 years
Furniture and equipment	3 - 10 years

Where the recoverable amount of a fixed asset is found to be below its net book value, the asset is written down to the recoverable figure and the loss on revaluation is recognised in the Statement of Financial Activities.

### g) *Financial Instruments*

#### *Financial Assets*

The Gallery classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial asset was acquired.

#### i. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Gallery has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value, these assets are carried at amortised cost, less impairment, using the effective interest method. Loans and receivables consist of trade and other debtors.

ii. Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are mainly investments that the Gallery does not plan to hold until maturity. They are included in fixed assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments that are treated as AFS financial assets are stated at fair value (market value). Where possible, investments are valued using unadjusted quoted prices in active markets for identical financial instruments. It is the Gallery's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result, the Statement of Financial Activities only includes those unrealised gains or losses arising from the revaluation of the portfolio throughout the year. Disclosure is made in Note 8 of the difference between historical cost and the sale proceeds of the investments sold during the year.

*Impairment of financial assets*

An assessment of whether there is objective evidence of impairment is carried out for all financial assets or groups of financial assets at the balance sheet date. A financial asset, or group of financial assets, is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the asset or group of assets that can be reliably estimated.

Where there is objective evidence that an impairment loss exists on loans and receivables carried at amortised cost, impairment provisions are made to reduce the carrying value to the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The charge to the Statement of Financial Activities represents the movement in the level of provisions, together with any amounts written off, net of recoveries in the year.

*Financial liabilities*

Trade, other creditors and accruals are recorded at their initially recognised amount, in recognition that these liabilities fall due within 1 year.

h) *Stock*

Stock is valued at the lower of cost and net realisable value and mainly comprises goods for resale. It also includes any work-in-progress which arises out of material expenditure on a publication that is not due to be completed until after the end of the financial year in which the expenditure occurs.

Books, catalogues, posters and postcards produced by the Gallery are sold to the Company on consignment. The consignment stock is an asset of the Gallery.



## 1. ACCOUNTING POLICIES (continued)

### i) *Leases*

The Gallery has one finance lease relating to a 99 year lease for part of the East Wing for which the Gallery is charged a peppercorn rent. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease.

### j) *Foreign currencies*

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

### k) *Pension costs*

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) and the Public Service (Civil Servants and Others) Pension Scheme (CSOPS) which are described at Note 5. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. Both schemes are defined benefits schemes. The defined benefit elements of the schemes are unfunded. The Gallery recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS and CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and CSOPS. In respect of the defined contribution elements of the schemes, the Gallery recognises the contributions payable for the year.

### l) *Governance costs*

Internal and external audit fees, costs of Trustees meetings, planning costs and an allocation of the cost of certain staff within the Finance Department are categorised as Governance costs.

<b>2a. GRANT IN AID</b>	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
Running costs	6,381	-	<b>6,381</b>	6,381
Capital costs	256	-	<b>256</b>	253
	<b>6,637</b>	<b>-</b>	<b>6,637</b>	<b>6,634</b>

The Consolidated accounts are for the National Portrait Gallery and its subsidiary National Portrait Gallery Company Limited (the Company), (company number 6015724); the Company began trading on 1 April 2007. The Gallery is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1998. Income arising from activities of the trading subsidiary are gift aided to the Gallery.

This money is available for running costs, capital purchases, improvements and collection purchases; of this, £256,000 was provided by the DCMS to be utilised by the Gallery towards the purchase of capital items, (£253,000 in 2015/16).

All of the above income relates to the Gallery rather than the trading company.

<b>2b. DONATIONS AND LEGACIES</b>	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
Fundraising dinners	493	-	<b>493</b>	91
Individual giving	1,010	-	<b>1,010</b>	961
Grants and donations	163	870	<b>1,033</b>	1,046
Donated acquisitions	-	481	<b>481</b>	4,161
Donations for acquisitions	-	1,038	<b>1,038</b>	182
Income from Lottery	-	37	<b>37</b>	41
The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	-	-	<b>-</b>	176
Legacies	-	15	<b>15</b>	66
Other fundraising income	77	29	<b>106</b>	133
	<b>1,743</b>	<b>2,470</b>	<b>4,213</b>	<b>6,857</b>

All of the above income relates to the Gallery rather than the trading company.

<b>2c. INCOME FROM OTHER TRADING ACTIVITIES</b>	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
<b>Gallery trading income</b>				
Corporate members	133	-	<b>133</b>	143
Publications	682	-	<b>682</b>	579
Rights & Images	321	-	<b>321</b>	380
	<b>1,136</b>	<b>-</b>	<b>1,136</b>	<b>1,102</b>
<b>Trading subsidiary trading income</b>				
Gallery hire	397	-	<b>397</b>	459
Retail	2,638	-	<b>2,638</b>	2,793
Catering franchise	522	-	<b>522</b>	525
	<b>3,557</b>	<b>-</b>	<b>3,557</b>	<b>3,777</b>
	<b>4,693</b>	<b>-</b>	<b>4,693</b>	<b>4,879</b>

An additional £1,600,000 of income (2015/16 £1,655,000) due to the Gallery from the Company has been eliminated on consolidation. This relates to sales of the Gallery's publications by the trading company and the management charge. Trading company profits of £1,061,000 (2015/16 £1,226,000) have been gift aided to the Gallery for 2016/17. In total, this brings the Gallery's non consolidated trading income to £3,797,000 (2015/16 £3,982,000).

<b>2d. OTHER INCOME</b>	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
Recovery of utility costs	63	-	<b>63</b>	72
Sale of audio guide, floor plans, locker charges	141	-	<b>141</b>	125
Miscellaneous trading income	-	-	<b>-</b>	-
Collection loans income	13	-	<b>13</b>	14
Other	63	9	<b>72</b>	21
	<b>280</b>	<b>9</b>	<b>289</b>	<b>232</b>

All of the above income relates to the Gallery rather than the trading company with the exception of £18,000 of cloakroom locker income (2015/16 £18,000).

### 3. INVESTMENT INCOME

	2017 £000	2016 £000
Bank interest	10	20
Investment dividends	-	-
	<u>10</u>	<u>20</u>

All of the above income relates to the Gallery rather than the trading company with the exception of £4,000 of bank interest (2015/16 £5,000).

### 4. NET INCOMING/EXPENDITURE

is stated after charging:	2017 £000	2016 £000
a) External auditors' remuneration		
National Audit Office	34	
PKF Littlejohn LLP	<u>10</u>	45
b) Internal auditors' remuneration	16	14
c) Operating lease rentals on land and buildings	153	153
d) Operating lease rental on fixtures & equipment	8	2
e) Depreciation	2,342	2,224
f) Loss on any disposal of fixed assets	-	-

The audit fee relates solely to audit services provided by the National Audit Office and PKF Littlejohn LLP.

## 5. EXPENDITURE

	Direct costs	Allocated support costs	2017	2016
	£000	£000	Total £000	Total £000
<b>Costs of raising funds</b>				
Costs of raising donations and legacies	954	267	1,221	1,007
<b>Costs of fundraising trading</b>				
Charitable trading	1,393	232	1,625	1,631
Non-charitable trading	1,892	274	2,166	2,205
<b>Total costs of fundraising trading</b>	3,285	506	3,791	3,836
<b>Investment management costs</b>	59	-	59	29
<b>Total costs of raising funds</b>	4,298	773	5,071	4,872
<b>Costs of charitable activities</b>				
<b>Extending and broadening audiences</b>				
Publicity and information	1,094	89	1,183	1,075
National programme	181	39	220	285
Learning and access	1,234	837	2,071	2,130
<b>Developing the Collection</b>	2,509	965	3,474	3,490
Collection management	3,767	1,474	5,241	5,112
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	1,299	846	2,145	1,965
Exhibitions and display	2,720	2,371	5,091	5,219
Charitable grants	20	-	20	20
	4,039	3,217	7,256	7,204
<b>Total costs of charitable activities</b>	10,315	5,656	15,971	15,806
	<b>14,613</b>	<b>6,429</b>	<b>21,042</b>	<b>20,678</b>

## ALLOCATION OF SUPPORT COSTS

	Directorate & Office Services	Personnel	Finance & Planning	IT & Communications	Facilities Management	Depreciation	Support Salary costs	Governance Costs	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Costs of raising funds</b>										
Costs of raising donations and legacies	13	21	2	57	19	24	124	7	267	198
<b>Costs of fundraising trading</b>										
Charitable trading	10	14	2	38	33	43	82	10	232	221
Non-charitable trading	5	10	9	11	75	-	164	-	274	324
<b>Investment management costs</b>	-	-	-	-	-	-	-	-	-	-
<b>Costs of charitable activities</b>										
Publicity and information	5	5	2	13	13	15	28	8	89	70
National programme	4	3	-	7	4	5	15	1	39	32
Learning and access	13	20	2	56	245	372	120	9	837	814
<b>Extending and broadening audiences</b>	22	28	4	76	262	392	163	18	965	916
Collection management	9	113	7	33	250	366	668	28	1,474	1,421
<b>Developing the Collection</b>	9	113	7	33	250	366	668	28	1,474	1,421
Research and documentation	19	31	2	87	203	307	187	10	846	778
Exhibitions and display	20	34	5	94	786	1,210	202	20	2,371	2,249
<b>Increasing understanding and engagement with the Collection</b>	39	65	7	181	989	1,517	389	30	3,217	3,027
<b>Total</b>	<b>98</b>	<b>251</b>	<b>31</b>	<b>396</b>	<b>1,628</b>	<b>2,342</b>	<b>1,590</b>	<b>93</b>	<b>6,429</b>	<b>6,107</b>

All of the above expenditure relates to the Gallery rather than the trading company with the exception of £918,000 of non charitable trading costs (2015/16 £921,000).

## 5. EXPENDITURE (continued)

### BASIS OF ALLOCATION OF SUPPORT COSTS

Support costs have been allocated across activities as follows:

Directorate: equally across departments

Personnel, salary costs: per capita

Office Services, IT, Telephones: per capita excluding Visitor Services staff

Finance and Planning, Consultancy fees, Governance costs: per direct and staff costs

Rent and Rates, Energy and Water, Maintenance and Housekeeping, Premises works, Depreciation: per square meterage

### GOVERNANCE COSTS

	2017 £000	2016 £000
Breakdown of direct costs		
Trustees' meetings and expenses	3	3
Internal Audit	16	15
External Audit (Gallery)	34	35
External Audit (Company)	10	9
Finance and Planning costs	30	31
	<b>93</b>	<b>93</b>

In previous years the external audit fees for the Company were included under Non-charitable trading costs. The breakdown of costs for 2015/16 includes the fees charged for the Company audit to provide a valid comparator.

### a) Staff costs

	2017 £000	2016 £000
Staff costs during the year amounted to:		
Wages and salaries	9,115	8,808
National Insurance	761	584
Pension	1,531	1,514
	<b>11,407</b>	<b>10,906</b>

Of which staff costs capitalised for digitising the Collection:  
equivalent to 2 FTE staff in 2016/17 (3 in 2015/16).

73

89

The Company does not employ any staff directly and uses staff seconded from the Gallery. The costs of the staff were recharged to the Company. In 2016/17 the value of the seconded staff costs was £688,293 (£677,128 in 2015/16), which was equivalent to 20 full time staff (19 in 2015/16).

The Trustees neither received nor waived any emoluments during the year (also in 2015/16). Expenses reimbursed or paid on behalf of two Trustees amounted to £1,393, relating to travel and subsistence (in 2015/16, £665 for travel and subsistence of two Trustees).

### Use of consultants and temporary staff

£4,600 was incurred on consultancy in the year (none in 2015/16). £317,000 was spent on agency staff (contingent labour) in the year, (£142,000 in 2015/16).

### Pensions

Information on Gallery staff pension schemes are provided in the Remuneration Report .

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" - are unfunded multi-employer defined benefit schemes but the National Portrait Gallery is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)). For 2016/17, employers' contributions of £1,505,571 were payable to the PCSPS (2015/16 £1,489,696) at one of four rates in the range 20.0% to 24.5% (2015/16 20.0% to 24.5%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually 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. Employers' contributions of £25,062 (£24,455 in 2015/16) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £954 (£1,127 in 2015/16), 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,482 (£2,584 in 2015/16). There were no contributions prepaid at that date.

## 5. EXPENDITURE (continued)

### Numbers of Employees

The number of employees, comprising the Director and 9 other members of the Senior Management Team (7 in 2015/16) whose emoluments as defined for taxation purposes amounted to over £60,000 in the year are as follows:

	2017	2016
£60,001 - £70,000	7	6
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-

These employees are accruing benefits under defined benefit schemes and received no benefits-in-kind.

The average number of full time equivalent (FTE) employees analysed by function during the year was as follows:

	Permanent staff	Temporary staff	2017 Number	2016 Number
Costs of generating voluntary income	15	5	20	17
Charitable trading	13	-	13	15
Non-charitable trading	21	5	26	29
<b>Extending and broadening audiences</b>				
Publicity and information	5	-	5	3
National programme	2	-	2	2
Learning and access	15	4	19	22
<b>Developing the Collection</b>				
Collection management	92	15	107	112
<b>Increasing understanding and engagement with the Collection</b>				
Research and documentation	30	-	30	30
Exhibitions and display	31	1	32	28
<b>Support (including governance)</b>	30	3	33	32
	<b>254</b>	<b>33</b>	<b>287</b>	<b>290</b>

Of whom staff digitising the Collection capitalised: 2 2 3

The average headcount of staff on permanent or fixed term contracts employed during the year was 321 (2015/16 327).

As at 31 March 2017, 56 staff had season ticket and bicycle loans outstanding worth a total of £64,652 included in Other Debtors (2015/16 55 staff had loans totalling £67,901).

## 6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Furniture & equipment £000	Total tangible assets £000
Valuation/cost at 1 April 2016	85,176	6,448	3,395	95,019
Additions	-	124	292	416
Disposals	-	-	(97)	(97)
Revaluation adjustment	2,406	32	-	2,438
Transfer of assets	-	-	-	-
Valuation/cost at 31 March 2017	<b>87,582</b>	<b>6,604</b>	<b>3,590</b>	<b>97,776</b>
Depreciation at 1 April 2016	2,819	1,111	2,912	6,842
Disposals	-	-	(97)	(97)
Depreciation	1,506	572	264	2,342
Revaluation adjustment	144	5	-	149
Depreciation at 31 March 2017	<b>4,469</b>	<b>1,688</b>	<b>3,079</b>	<b>9,236</b>
Net book value at 31 March 2017	<b>83,113</b>	<b>4,916</b>	<b>511</b>	<b>88,540</b>
Net book value at 31 March 2016	<b>82,357</b>	<b>5,337</b>	<b>483</b>	<b>88,177</b>

Tangible fixed assets relate to the Gallery. The Company has no fixed assets.

The net book value at 31 March 2017 represents fixed assets for:

	Land & Buildings £000	Plant & Machinery £000	Furniture & Equipment £000	Total £000
Charitable activities	75,246	4,451	463	80,160
Other activities	7,867	465	48	8,380
Total	<b>83,113</b>	<b>4,916</b>	<b>511</b>	<b>88,540</b>

All the Gallery's land and buildings were revalued in accordance with the RICS Valuation Standards (the "Red Book") by the firm of chartered surveyors, Deloitte LLP, at 31 March 2014, at which time they were valued at £81.2 million (excluding plant and machinery, which was valued at £6.2 million). In accordance with HM Treasury guidance, all other assets have been valued on a depreciated historical cost basis. The annual desktop revaluation of the Gallery's land was also undertaken by Deloitte LLP. The desktop revaluation was undertaken in accordance with the RICS Valuation Standards (the "Red Book") and the HM Treasury Financial Reporting Manual (FReM). The surveyors also took account of Central London land transactions, general capital value movements and that any replacement site would be predicated on the 'least cost' concept, to arrive at a value per acre. For the leasehold land a discount rate was applied to the value per acre of the freehold site.

In accordance with FRS 102 Section 17, *Property, Plant and Equipment*, where a fixed asset comprises two or more major components with substantially different economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life. The buildings have three separable material components, which have different remaining asset lives; structural, fit out and plant and machinery. Structural and fit out are disclosed under the land and buildings category.

**St Martin's Place:** The main Gallery at St Martin's Place was transferred from ('vested by') the Secretary of State for the Environment and the Crown to the Trustees of the Gallery on 12 January 1994, although title was not registered to the Trustees until 7 June 1994. The main Gallery was brought into the books in 1994 at a net book value of £43.7million and was revalued at 31 March 2014 on a depreciated replacement cost basis of £75 million (including plant and machinery). The current net book value is £70.4 million (including plant and machinery). The St Martin's Place building also includes the East Wing, which occupies a frontage onto Charing Cross Road. The East Wing is part of the structure of the National Portrait Gallery but ownership was transferred to the National Gallery as part of the arrangements for the creation of the Ondaatje Wing. The National Portrait Gallery leases the East Wing spaces occupied by the Portrait Cafe and main shop from the National Gallery through a 99 year finance lease. This lease has been capitalised as at 31 March 2017 at a value of £3,372,000.

**Orange Street and Charing Cross Road:** The land and buildings at 39-45 Orange Street and 1 Charing Cross Road were purchased by the Trustees in 1988/89 for £1.5 million. This conveyance contains a covenant which states: "that the property shall not be used for any purpose other than for the purposes of The National Portrait Gallery as a non-profit making public art gallery and offices, library and storage and shop for the sale of books, souvenirs and pictures and restaurant and catering for visitors to the public and/or other similar. In each case strictly ancillary to the use of the property or the premises now known as The National Portrait Gallery as a public art gallery." They were reconstructed as part of the Gallery Development Plan to provide new accommodation for the archives and gallery administration. The buildings were occupied from October 1993, and were brought into the balance sheet as at 31 March 1994 at a value of £9.1 million (including plant and machinery). These properties were revalued at 31 March 2014 on an existing use basis at £12.3million (including plant and machinery), with an allowance to reflect the restrictions described. The current net book value is £12.6 million (including plant and machinery).

The net book value of land and buildings relates to:

	£000
Freehold	79,741
Finance lease (greater than 50 years)	3,372
Short term lease (less than 50 years)	-
	<b>83,113</b>

## 7. HERITAGE ASSETS

	Assets reported at Cost			Assets reported at Valuation			Total
	Primary	Reference	Photographs	Primary	Reference	Photographs	
	£000	£000	£000	£000	£000	£000	£000
Valuation/cost at 1 April 2016	20,507	48	658	4,598	2,996	348	29,155
Additions	1,870	2	9	453	15	18	2,367
Valuation/cost at 31 March 2017	<b>22,377</b>	<b>50</b>	<b>667</b>	<b>5,051</b>	<b>3,011</b>	<b>366</b>	<b>31,522</b>

Heritage assets are capitalised at the point of acquisition, where cost and valuation information is available. Where assets have been acquired jointly with another party, their carrying value reflects the proportion of the Gallery's holding. Trustees have considered the cost of capitalising acquisitions where no appropriate valuation exists and have found that the cost outweighs the benefit of doing so. The valuations of donated acquisitions have been made by the Gallery's staff and therefore represent an indicative estimate. In reaching these valuations curators compare portraits donated to the Collection with the values of comparable items on the open market, taking account of differences in condition, size, status and market desirability. Such items are not depreciated or re-valued as a matter of routine.

There were no disposals of heritage assets in the period.

Additions in the year comprise:

### *Primary Collection*

£1,870,000 purchases of portraits – paintings, sculptures and photographs.  
£453,000 donations of paintings, sculptures and photographs.

### *Reference Collection*

£2,000 purchases of prints, drawings, paintings and sculptures.  
£15,000 donations of prints, drawings, paintings and sculptures.

### *Photographs Collection*

£9,000 purchases of photographs and historic negatives.  
£18,000 donations of photographs and historic negatives.

### Summary of Heritage asset transactions

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
<b>Additions</b>					
Purchased assets	1,881	275	9,901	458	979
Donated assets	486	4,162	286	857	264
<b>Total</b>	<b>2,367</b>	<b>4,437</b>	<b>10,187</b>	<b>1,315</b>	<b>1,243</b>

The Gallery's collections are held in support of its statutory obligations to promote, through the medium of portraits, the appreciation and understanding of the men and women who have made and are making British history and culture, and to promote the appreciation and understanding of portraiture in all media.

### *Primary Collection*

The Primary Collection of paintings, sculpture, miniatures, drawings, prints and photographs contains some 12,400 portraits of the most famous people in British history. Of these more than 4,100 are paintings, sculptures and miniatures, approaching 60% of which are regularly displayed at the National Portrait Gallery or elsewhere, including loans outside the UK. In addition, there are some 8,300 works on paper, shown on a rotating basis of about 300 items a year. All the portraits in the Primary Collection are accessible on the website in the search mechanism, Search the Collections. Those wishing to see paintings and other portraits in the Primary Collection not on display, or to consult the records of the collection, should contact the Collections Manager in writing. Normally items not on display can readily be made available for viewing. The Collection is also made widely available via the Portrait Explorer in the Digital Space and on the internet (at [www.npg.org.uk](http://www.npg.org.uk)).

### *Reference Collection*

The Gallery holds its Reference Collection as a national resource; it contains more than 85,000 portraits and forms an image bank of the nation's famous and less famous faces. The range of work held in the Reference Collection complements the Gallery's Primary Collection and contributes to a better understanding of British portraiture generally. It consists of prints mainly, but also includes 2,500 drawings, 75 paintings and 140 sculptures, almost all relatively modest in nature. Examples of preparatory studies and working drawings record the process of making portraits and extensive holdings of engraved reproductions of portraits provide evidence for their distribution and consumption. The Reference Collection is used for study and exhibition, and has been extensively reproduced in books and other publications.



## 7. HERITAGE ASSETS (continued)

### *Photographs Collection*

The Photographs Collection consists of more than 250,000 original photographic images of which at least 130,000 are original negatives. They date from the 1840s to the present day. The collection is divided into two parts; photographic portraits that are subsumed into the Gallery's Primary Collection of portraits, and the remainder which form the Photographs Collection.

More information about the Gallery's collections is available at ([www.npg.org.uk/collections.php](http://www.npg.org.uk/collections.php)).

### *Capitalisation of the Collections*

The capitalised heritage assets reflect a small proportion of the Gallery's collections: only 4% of the Primary Collection and under 1% of the Reference and Photographs Collections. The Gallery has calculated that it would not be cost effective – in terms of expense and staff time – to capitalise all of its collections acquired before 2001 (for the Primary and Photographs Collections) and 2005 (in the case of the Reference Collection). The findings from the Gallery's review into the cost of capitalising all of its collections can be viewed at [www.npg.org.uk/about/corporate/gallery-policies.php](http://www.npg.org.uk/about/corporate/gallery-policies.php).

### *Acquisitions and disposals*

Acquisitions for the Primary Collection are subject to the approval of the Board of Trustees which meets four times a year. The Gallery's formal collecting policy is set out in the Acquisition and Disposal policy, which can be viewed on the Gallery's website, at [www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php](http://www.npg.org.uk/about/corporate/gallery-policies/acquisition-and-disposal-policy.php).

### *Conservation*

The National Portrait Gallery's conservation staff perform one of the Gallery's core functions, the long-term preservation of all Collection items, to make them accessible now and in the future. The majority of conservation work at the Gallery is undertaken in the Frame Conservation and General Conservation studios.

Conservators have a variety of responsibilities, including: remedial work, such as cleaning, consolidating, infilling and retouching; preservation work, to ensure works are stable and suitable for display in the Gallery or on loan; providing advice and guidance to ensure all Collection items are correctly handled, packed, moved and displayed; and regularly surveying Collections in the Gallery and in storage.

### *Collections Management*

The Primary, Photograph and Reference Collections are recorded on the Gallery database, Multi Mimsy, and this database serves as the register of the Collection. It is used to provide information on portraits in the Collection on the Gallery website.

The condition and storage of acquisitions for the Collection are considered at the point of acquisition. Items in the various collections are kept in environmentally controlled conditions. The condition and the management of the collections are then subject to review on a portrait-by-portrait basis as and when portraits are used for exhibition or other use at the Gallery or elsewhere. The condition and the management of the collection is also subject to review in other ways, firstly across a whole group of objects in a particular medium as and when opportunity or the need arises for a wider survey, secondly at a particular location as a matter of regular review and, thirdly as a matter of day-to-day review by staff working with the collections on display and in store. The Collection is subject to periodic random audit to make sure that portraits are located as recorded on the database. There is close and frequent liaison between collection managers, curators and conservators, and also with security staff as necessary.

## 8. AVAILABLE FOR SALE FINANCIAL ASSETS - INVESTMENTS

### Fixed asset investments

	Restricted Funds			
	Partners Capital			
	Portrait Fund TMP £000	Catalyst TMP £000	2017 £000	2016 £000
Market value at 1 April 2016	4,055	532	4,587	4,405
Additions	668	75	743	-
Disposals	-	(670)	(670)	-
Net gain/(loss) on revaluation	515	63	578	182
<b>Market value at 31 March 2017</b>	<b>5,238</b>	<b>-</b>	<b>5,238</b>	<b>4,587</b>
<b>Historical cost at 31 March 2017</b>	<b>3,080</b>	<b>-</b>	<b>3,080</b>	<b>3,080</b>
Unrealised Investment Gains at 31 March 2017	2,158	-	2,158	1,507

All investments relate to the Gallery only. These investments are being held for the purposes of producing a long term return and are not intended to be spent within the next 12 months. Funds held by Partners Capital LLP are invested in The Master Portfolio (TMP), which is a collective investment scheme, created by Partners Capital, that invests across a range of asset classes and securities (which may include investments in other collective investment schemes). The investments in The Master Portfolio are held within the Portrait Fund portfolio. The Catalyst Fund was created in January 2015 from the funds raised from the HLF Catalyst:Endowment match funding scheme. The Catalyst Fund portfolio mirrored the Portrait Fund portfolio in the make up of its investments, as the intention was that this fund would eventually be subsumed into the Portrait Fund portfolio when the Catalyst scheme ended. Following the ending of the Catalyst scheme in 2015, the Catalyst Fund investment in TMP was subsumed into the Portrait Fund during the year.

	2017 £000	2016 £000
Investment assets in the UK	-	-
Investment assets outside the UK	5,238	4,587
	<b>5,238</b>	<b>4,587</b>

### Current asset investments

	Partners Capital				
	Restricted Funds	Unrestricted Funds			
	Portrait Fund	Catalyst Fund	Investment & Contingency Fund	2017 £000	2016 £000
	£000	£000	£000	£000	£000
Market value at 1 April 2016	2,607	384	3,937	6,928	7,279
Add: Acquisitions at cost	1,297	-	-	1,297	-
Less: disposal proceeds	(200)	(390)	-	(590)	-
Investment management charges deducted	(33)	(3)	(15)	(51)	(81)
Gain/(loss) on revaluation	264	18	348	630	(270)
Net Gain/(loss) on revaluation	231	15	333	579	(351)
<b>Market value at 31 March 2017</b>	<b>3,935</b>	<b>9</b>	<b>4,270</b>	<b>8,214</b>	<b>6,928</b>
<b>Historical cost at 31 March 2017</b>	<b>3,460</b>	<b>-</b>	<b>3,037</b>	<b>6,497</b>	<b>6,497</b>
Unrealised Investment Gains/(Losses) at 31 March 2017	475	9	1,233	1,717	431

These investments are being held for the purposes of producing a return, but the Gallery considers that they should remain highly liquid and available to spend within the next 12 months. Following the ending of the Catalyst match funding scheme in 2015, the investments in the Catalyst Fund were subsumed into the Portrait Fund, except for a final balance of £9,000 held to clear any outstanding fees to investment managers and other charges associated with closing down the fund. Any residual cash following these final adjustments will be transferred to the Portrait Fund in the following year.

The investment management charges in the SOFA are charged on an accruals basis. The investment management charges are deducted from the funds in arrears.

	2017 £000	2016 £000
<i>Investment assets in the UK</i>		
Government stocks (Inflation linked Gilts)	344	286
Real Assets (charities property fund)	674	638
Global equities fund	-	735
Absolute return	391	-
<i>Investment assets outside the UK</i>		
Government stocks (index-linked UK Gilts and conventional UK Gilts)	366	457
Asian local currency bonds	-	-
Corporate bonds	3,427	3,026
Global equities fund	229	-
Absolute return	558	-
Cash	2,225	1,786
	<b>8,214</b>	<b>6,928</b>

## 9. FINANCIAL RISK MANAGEMENT

FRS 102 Section 11, *Basic Financial Instruments* requires entities to provide disclosures which allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments during the period.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Gallery's expected purchase and usage requirements and in the case of these contracts the Gallery is exposed to little credit, liquidity or market risk. In the past year the Gallery has invested a proportion of its reserves in the world financial markets. Overall this will expose the Gallery to more foreign exchange risk, although its exposure to interest rate risk and liquidity risk will not have increased materially as a result of this investment.

### Liquidity risk

Approximately 30-40% of the Gallery's income (excluding income for buildings and net of trading and fundraising costs) is provided as Grant-in-Aid from the Department for Culture, Media and Sport. The remaining proportion is therefore generated via self-generated income, which is volatile. The risk is managed by the reserves policy for general funds which ensures that an amount at least equivalent in total to three-quarters of the Gallery's average stock levels is held in general funds. As the cash requirements of the Charity are met largely through Grant-in-Aid received from the Department of Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Gallery has sufficient unrestricted funds to cover its current liabilities.

### Credit risk

The Gallery group is exposed to credit risk of £550,000 of trade debtors – however this risk is not considered significant as major customers are familiar to the Gallery. The Gallery has recovered 99.8% of trade debtors over the last four years. Bad and doubtful debts are provided for on an individual basis. There were £11,000 of bad debt write offs in the year, (none in 2015/16).

Cash is held by the Gallery's bankers. The Gallery has not suffered any loss in relation to cash held by bankers.

### Interest rate risk

The Gallery draws down its annual Grant-in-Aid allocation according to its monthly cash flow requirements; 65% of the Gallery's financial assets represents cash and investments held for these short term requirements. Of these, 54% earn interest at a floating rate and 28% carry fixed rates of interest. The fixed rate investments consist of investments in UK inflation linked gilts and corporate and inflation linked bonds. About 35% of the Gallery's financial assets are held in collective investment schemes with assets allocated across a diverse range of asset classes and securities. However, the Gallery has taken a conservative approach to the amount of investment income it can expect from its investments to fund its operations and is therefore not exposed to significant interest rate risk. Asset allocations across all investment portfolios are reviewed regularly and can be adjusted at short notice in response to significant changes in market conditions. Furthermore, the Gallery's budgets are reviewed and updated regularly to take account of fluctuations in interest rates to ensure that operations are not jeopardised in the event of a significant fall in investment income.

If global interest rates increased by 1%, the overall impact on the portfolio of investments would be a fall in value of around £134,000. A similar reduction in interest rates would result in an appreciation in the value of the portfolio by a similar amount.

The following table shows the interest rate profile of the Group financial assets.

	Floating rate	Fixed rate	Non-interest bearing	Real Assets	Assets earning equity return	Total	Weighted average interest rate	Weighted average period for which rate is fixed
At 31 March 2017	£000	£000	£000	£000	£000	£000	%	
Sterling	5,232	2,727	20	1,622	5,238	14,839	2.48	2.73 years
Other	-	-	-	-	-	-		
	<b>5,232</b>	<b>2,727</b>	<b>20</b>	<b>1,622</b>	<b>5,238</b>	<b>14,839</b>		
At 31 March 2016	£000	£000	£000	£000	£000	£000		
Sterling	7,491	1,897	22	638	4,587	14,635	2.26	1.98 years
Other	-	-	-	-	-	-		
	<b>7,491</b>	<b>1,897</b>	<b>22</b>	<b>638</b>	<b>4,587</b>	<b>14,635</b>		

The book value equals the fair value for all assets held.

## 9. FINANCIAL RISK MANAGEMENT (continued)

### Reconciled to the Consolidated Balance Sheet

	2017 £000	2016 £000
Fixed Asset Investments	5,238	4,587
Current Asset Investments	8,214	6,928
Cash at Bank	1,387	3,120
<b>Total</b>	<b>14,839</b>	<b>14,635</b>

### Foreign currency risk

As the Gallery's policy is to convert foreign currency into sterling on receipt, the Gallery's exposure to foreign currency risk is not significant.

Where practicable, investments will be made in sterling denominated securities or in collective investment funds that have a sterling hedged share class to minimize exposure to non-sterling currencies. However, the investment portfolios include investments in overseas assets so some non-sterling currency exposure may remain, particularly where exposure is to emerging market currencies where the cost of currency hedging may be prohibitive. The residual exposure to non-sterling currencies means that the investment portfolio will benefit proportionately from any appreciation in non-sterling currencies against sterling and be negatively affected by depreciation against sterling. Overall, it is expected that the exposure to any single non-sterling currency will not be significant.

If all of the emerging market currencies depreciated against sterling by 10%, the overall impact on the portfolio of investments would be a fall in value of around £600. A similar appreciation of emerging market currencies against sterling would result in an appreciation in the value of the portfolio by a similar amount.

## 10. DEBTORS AND PREPAYMENTS

	GROUP		GALLERY	
	2017	2016	2017	2016
	£000	£000	£000	£000
Debtors falling due within one year				
Trade debtors	552	414	452	300
Less provision for bad debts	(2)	(1)	(2)	(1)
	<u>550</u>	<u>413</u>	<u>450</u>	<u>299</u>
Other debtors	122	410	96	381
Prepayments	44	64	43	63
Accrued income	518	203	409	89
Amounts due from the Company	-	-	1,137	1,351
	<u><u>1,234</u></u>	<u><u>1,090</u></u>	<u><u>2,135</u></u>	<u><u>2,183</u></u>

Of the amount due from the Company, £1,061,000 relates to the distribution under Gift Aid of profits from the Company, and the remaining balance represents the intergroup balance as at 31 March 2017.

## 11. STOCK

	GROUP		GALLERY	
	2017	2016	2017	2016
	£000	£000	£000	£000
Goods for resale	606	627	290	296
Work in progress	33	18	33	18
	<u><u>639</u></u>	<u><u>645</u></u>	<u><u>323</u></u>	<u><u>314</u></u>

## 12. CURRENT LIABILITIES

### a) Creditors falling due within one year

	<b>GROUP</b>		<b>GALLERY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade creditors	231	150	227	139
Other creditors	6	8	6	8
Taxation and social security	390	327	390	327
Accrued expenses	1,283	764	1,232	687
Deferred income	1,118	1,245	1,096	1,197
VAT payable	140	149	140	149
Provision for liabilities and charges	10	10	10	10
	<b>3,178</b>	<b>2,653</b>	<b>3,101</b>	<b>2,517</b>
of which creditors for capital expenditure:	<b>164</b>	<b>15</b>	-	-

### b) Movement on deferred income

	<b>GROUP</b>							
	<b>Sponsorship</b>	<b>Theatre Hire, Conferences &amp; Group Tours</b>	<b>Exhibition Income &amp; Fees</b>	<b>Registration Fees</b>	<b>Donations</b>	<b>Membership Fees</b>	<b>Event Deposits</b>	<b>Total</b>
Balance as at 1 April 2016	475	29	169	85	30	409	50	<b>1,247</b>
Amounts released from previous years	(475)	(29)	(169)	(85)	(15)	(409)	(50)	<b>(1,232)</b>
Incoming resources deferred in the current year	495	7	44	85	10	440	22	<b>1,103</b>
Balance as at 31 March 2017	<b>495</b>	<b>7</b>	<b>44</b>	<b>85</b>	<b>25</b>	<b>440</b>	<b>22</b>	<b>1,118</b>

The disclosure includes the deferred income related to the Group. Income has been deferred as it relates to transactions, subscriptions and deposits etc relating to more than one financial year.

### 13. STATEMENT OF FUNDS

	Note	Balance at 1 April 2016	Income	Expenses	Net gains/losses	Transfers	Balance at 31 March 2017
		£000	£000	£000	£000	£000	£000
<b>Unrestricted funds</b>							
<b>Designated funds:</b>							
14							
Fixed Asset Fund		5,583	416	(836)	-	-	5,163
Fixed Asset Revaluation Fund		237	-	-	27	-	264
Investment and Contingency Fund		2,663	-	(11)	348	(965)	2,035
Deferred Projects Fund		493	-	(395)	-	135	233
<b>Total designated funds</b>		<b>8,976</b>	<b>416</b>	<b>(1,242)</b>	<b>375</b>	<b>(830)</b>	<b>7,695</b>
<b>General Funds (Working Capital)</b>	14	300	17,175	(17,585)	-	410	300
<b>Total unrestricted funds</b>		<b>9,276</b>	<b>17,591</b>	<b>(18,827)</b>	<b>375</b>	<b>(420)</b>	<b>7,995</b>
<b>Restricted funds</b>							
15							
Fixed Asset Fund		22,216	-	(1,506)	-	-	20,710
Fixed Asset Revaluation Fund		60,142	-	-	2,262	-	62,404
Capitalised Collection Fund		29,155	481	-	-	1,886	31,522
		111,513	481	(1,506)	2,262	1,886	114,636
Portrait Fund		6,686	56	(44)	779	1,765	9,242
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment		1,999	-	(3)	81	(2,065)	12
Grants and Donations Fund		1,567	1,964	(662)	-	(1,166)	1,703
Dame Helen Gardner Bequest Fund		8	-	-	-	-	8
		10,260	2,020	(709)	860	(1,466)	10,965
<b>Total restricted funds</b>		<b>121,773</b>	<b>2,501</b>	<b>(2,215)</b>	<b>3,122</b>	<b>420</b>	<b>125,601</b>
<b>Total Funds</b>		<b>131,049</b>	<b>20,092</b>	<b>(21,042)</b>	<b>3,497</b>	<b>-</b>	<b>133,596</b>

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment is a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The scheme began in 2012/13. Further details are provided in Note 15.

Transfers represent movements to the General Fund from the Investment and Contingency Fund and the utilisation of funds for projects and capital expenditure.

	As at 1 April 2016	Unrealised gains/losses under fair value	Realised gains/losses under fair value	As at 31 March 2017	Reserve/Fund excl fair value as at 31 March 2017	Reserve/Fund incl fair value as at 31 March 2017
<b>Fair Value Reserve (Investments)</b>						
<b>Unrestricted</b>						
General Fund	920	333		1,253	(953)	300
<b>Restricted</b>						
Portrait Fund	1,483	827	-	2,310	6,932	9,242
Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment	8	(3)	-	5	7	12

## **14. DESIGNATED FUNDS**

### **FIXED ASSET FUND**

This fund represents the net book value of all the Gallery's furniture and equipment, (mainly IT equipment), and plant and machinery.

### **FIXED ASSET REVALUATION FUND**

This fund represents the indexation and revaluation increases on the plant and machinery assets held in the Unrestricted Fixed Asset Fund.

### **INVESTMENT AND CONTINGENCY FUND**

This fund represents a designation of surpluses to be invested in projects in accordance with the reserves policy. Transfers represent the year-end surplus/(deficit) transferred to this fund.

### **DEFERRED PROJECTS FUND**

This fund represents underspends generated this year which are to be employed in projects next year. The projects include planned work on improving interpretation and orientation in the Gallery, future exhibitions planning, improvements to IT applications including the continued implementation of the Customer Relationship Management and Ticketing System, archive cataloguing, building improvements and certain curatorial publications. The Fund also includes funding earmarked for future acquisitions. Transfers represent the underspends identified in this year set aside for projects to be undertaken in future years.

### **GENERAL FUND**

General funds need to be sufficient to enable the Gallery to manage its working capital, specifically the cash tied up in stock. The balance of £300,000 in the General Reserve equates in total to at least three-quarters of the average stock levels held at the Gallery.

## **15. RESTRICTED FUNDS**

### **FIXED ASSET FUND**

This fund represents the net book value of the Gallery's restricted tangible assets. These assets consist of the main Gallery building - including the Ondaatje extension and the Duveen Wing - the Orange Street complex and the leased East Wing.

### **FIXED ASSET REVALUATION FUND**

This fund represents the indexation and revaluation increases on the land and buildings assets held in the Restricted Fixed Asset Fund.

### **CAPITALISED COLLECTION FUND**

This fund represents the value of Heritage Assets funded by restricted donations and Grant-in-Aid allocated to capitalised acquisitions for Collections. (For an explanation of the transfers, see Grants and Donations Fund below).

### **PORTRAIT FUND**

This fund represents restricted funds received specifically for the Portrait Fund for the development of the Collection (acquisitions and related costs such as conservation and displays). During the year the funds within the Catalyst:Endowment Fund were subsumed into the Portrait Fund.

### **HERITAGE LOTTERY FUND/DEPARTMENT FOR CULTURE, MEDIA AND SPORT CATALYST: ENDOWMENT FUND**

The Heritage Lottery Fund/Department for Culture, Media & Sport Catalyst: Endowment was a match funding scheme offered to cultural organisations to assist them in building endowments from which they can earn interest. The terms of the Catalyst:Endowment required the Gallery to raise £1 million by June 2016. During this period the scheme would match this fund raising £1:£1. The Gallery successfully raised the required £1 million by the end of the 2014/15 financial year and received the final instalment of match funding from HLF of £100,000 in 2015/16. The brought forward figure for income includes both the amount the Gallery had raised to date and the match funding drawn down from the scheme. The funds raised through the scheme were to be used to support the Portrait Fund and this was executed in the year when the Catalyst:Endowment Fund was subsumed into the Portrait Fund.

### **GRANTS AND DONATIONS FUND**

This fund represents grants and donations given for a specified purpose. Transfers on this occasion represent Heritage Assets purchased with restricted income transferred to the Capitalised Collection Fund.

### **DAME HELEN GARDNER BEQUEST**

This fund represents royalties received under Dame Helen Gardner's bequest, restricted to purchasing literary or early 17th Century portraits.



## 16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2017 are represented by:

	Designated £000	Unrestricted General £000	Restricted £000	Total £000
Fixed Assets	5,427	-	83,113	<b>88,540</b>
Heritage Assets	-	-	31,522	<b>31,522</b>
Investments	-	-	5,238	<b>5,238</b>
Current Assets	2,268	3,478	5,728	<b>11,474</b>
Current Liabilities	-	(3,178)	-	<b>(3,178)</b>
Long term Liabilities	-	-	-	-
<b>Total Net Assets</b>	<b>7,695</b>	<b>300</b>	<b>125,601</b>	<b>133,596</b>

## 17. FINANCIAL COMMITMENTS

As at 31 March 2017 the Gallery had total minimum lease payments under non-cancellable operating leases as follows:

	2017		2016 Restated	
	Land and buildings £000	Other Operating Leases £000	Land and buildings £000	Other Operating Leases £000
Less than one year	153	8	153	8
One to five years	472	4	612	12
Greater than five years	195	-	208	-
	<b>820</b>	<b>12</b>	<b>973</b>	<b>20</b>

## 18. CAPITAL COMMITMENTS

	2017 £000	2016 £000
Capital expenditure contracted for but not provided in the accounts	<b>51</b>	96
Capital expenditure authorised but not contracted for	<b>3,215</b>	465

Capital expenditure authorised but not contracted for relates to planned purchase of the East Wing Freehold, redevelopment of Room 30-31 and Collection acquisitions.

## 19. CASH FLOW INFORMATION

	2017 £000	2016 £000
<b>Cashflow from operating activities</b>		
Net income/(expenditure) for year	258	2,099
Less: Dividends, interest and rent from investments	(10)	(20)
Donated acquisitions	(481)	(4,161)
Add: Net (gain)/losses on investments	(1,208)	88
Investment management fees	51	81
Depreciation and impairment of tangible fixed assets	2,342	2,224
(Profit)/loss on disposal of tangible fixed assets	-	-
(Increase)/ Decrease in stock	6	54
(Increase) / Decrease in debtors	(144)	220
(Decrease) / Increase in creditors	503	(575)
Increase / (Decrease) in deferred income	(127)	63
<b>Net cash flow provided by/(used in) operating activities</b>	<b>1,190</b>	<b>73</b>
<b>Cashflow from investing activities</b>		
Payments to acquire tangible fixed assets	(2,153)	(973)
Payments to acquire investments	(2,040)	-
Receipts from sales of investments	1,260	-
Dividends, interest and rent received from investments	10	20
	<b>(2,923)</b>	<b>(953)</b>
<b>Cashflow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Change in cash and cash equivalents in the year</b>	<b>(1,733)</b>	<b>(880)</b>
<b>Cash and cash equivalents at 1 April 2016</b>	<b>3,120</b>	<b>4,000</b>
<b>Cash and cash equivalents at 31 March 2017</b>	<b>1,387</b>	<b>3,120</b>
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand	1,387	3,120

**20. TRADING SUBSIDIARY**  
**NATIONAL PORTRAIT GALLERY COMPANY LIMITED**

The National Portrait Gallery owns the whole of the issued share capital of 1 issued share of £1 nominal value of the National Portrait Gallery Company Limited, a company registered in England and Wales. The Company's principal activities are Retail, Gallery Hire and running the Gallery's catering franchise.

A summary of the results of the subsidiary is shown below:

	<b>2017</b>	2016
	<b>£000</b>	£000
<b><u>Profit and loss account</u></b>		
Turnover	<b>3,575</b>	3,797
Cost of sales	<b>(1,291)</b>	(1,375)
<b>Gross Profit</b>	<b><u>2,284</u></b>	<u>2,422</u>
Administrative expenses	<b>(1,227)</b>	(1,201)
<b>Trading Profit</b>	<b><u>1,057</u></b>	<u>1,221</u>
Interest receivable	<b>4</b>	5
<b>Profit on Ordinary Activities Before Taxation</b>	<b><u>1,061</u></b>	<u>1,226</u>
Taxation	-	-
<b>Profit on Ordinary Activities After Taxation</b>	<b><u><u>1,061</u></u></b>	<u><u>1,226</u></u>

Company turnover includes the earnings from the three business lines in Note 2c and also cloakroom and locker income as noted in Note 2d.

<b><u>Balance sheet</u></b>		
Tangible fixed assets	-	-
Current assets	<b>1,214</b>	1,486
Creditors	<b>(153)</b>	(260)
Payment under Gift Aid to Gallery	<b>(1,061)</b>	(1,226)
<b>Net assets</b>	<b><u><u>-</u></u></b>	<u><u>-</u></u>
<b>Share capital and reserves</b>	<b><u><u>-</u></u></b>	<u><u>-</u></u>

Reconciliation of results of the Company to the Consolidated Statement of Financial Activities.

	<b>2017</b>	2016
	<b>£000</b>	£000
Turnover	<b>3,575</b>	3,797
Intra group transactions	-	-
<b>Trading income included within SOFA</b>	<b><u>3,575</u></b>	<u>3,797</u>
Cost of sales	<b>(1,291)</b>	(1,375)
Administrative expenses	<b>(1,227)</b>	(1,201)
Taxation	-	-
Intragroup transactions	<b>1,600</b>	1,655
<b>Trading costs included within SOFA</b>	<b><u>(918)</u></b>	<u>(921)</u>
Interest receivable	<b>4</b>	5
<b>Included in investment income per SOFA</b>	<b><u>4</u></b>	<u>5</u>

## 21. CONTINGENT LIABILITIES

At the balance sheet date, the Gallery had no contingent liabilities.

## 22. POST BALANCE SHEET EVENTS

The Prime Minister appointed four new Trustees to the Board of the National Portrait Gallery, with effect from 2 April 2017. The four were Sir Michael Hintze, Bjorn Saven, Sir Peter Stothard and Rachel Wang. All were appointed on four year terms, ending on 2 April 2021.

It was announced on 15 June 2017 that the Gallery had been awarded a grant of £9.4 million from the Heritage Lottery Fund towards a £35.5 million transformation programme. This would help fund a comprehensive re-display of the Collection, create additional public space and provide a state-of-the-art Learning Centre as well as an extensive programme of activities nationwide.

The financial statements were approved by the Accounting Officer and Trustees on 5 July 2017 and authorised for issue on the date shown on the audit certificate.

## 23. RELATED PARTY TRANSACTIONS

The National Portrait Gallery's sponsor, the Department for Culture, Media and Sport, is regarded as a related party. During the year, the Gallery has had various transactions (greater than £500) with the Department and with other entities for which the Department is regarded as the parent Department as follows: British Broadcasting Corporation (BBC), National Gallery, Tate Gallery, the Victoria & Albert Museum, Science Museum, British Library, Imperial War Museum and Natural History Museum. The Gallery also received grants from the Heritage Lottery Fund and the Arts Council England. The Gallery has a ten year licence agreed with Tate for the provision of storage for the Gallery's collections, which commenced in 2012.

### Other Related Party Transactions

Organisations in which Trustees or key members of management (or their connected persons) have an interest are also regarded as related parties. During the year, the Gallery entered into the following transactions, under normal business terms, with the following organisations in which either a Trustee or a member of management was regarded as having an interest:

<u>Trustee</u>	<u>Related party</u>	<u>Position held at related party</u>	<u>Transaction and balance details</u>
Dr Brian Allen	Hazlitt Gooden Fox	Chairman of Hazlitt Group	£10,500 of sales for Corporate Membership. £63,580 for the acquisition of art works. Nil balance at year end.
Professor Dame Carol Black	PwC	Member of PwC's Health Industries Oversight Board	£20,400 for Corporate Membership. Nil balance at year end.
Dr Rosalind Blakesley	Fitzwilliam Museum, Cambridge	Ex officio Syndic of the Fitzwilliam Museum	£84 for UBP fellowship expenses and services during a study day. £99 of sales for publications. Nil balance at year end.
Dr Augustus Casely-Hayford	Tate Gallery	Member of Tate Britain Council and audience advisor	£240 of sales made from Tate group for a tour of the NPG. Nil balance at year end.
Dr Andrew Roberts	Close family member	Chairman of the Southbank Centre	Purchases of £153 for copyright expenses. Nil balance at year end.
David Ross	University of Nottingham	Council member and Chair of the Development Committee	£3,318 of fees to the Gallery for attendance at a training course. Nil balance at year end.
Stephan Shakespeare	Cabinet Office	Member of Public Sector Transparency Board for Cabinet Office	£5,963 for pensions services. Nil balance at year end.
Christopher Le Brun	Royal Academy of Arts	Trustee and Director	Purchases of £445 for Collection conservation related expenses. Nil balance at year end.

#### Independent Members (Investment Committee)

Anthony Brooke	The Portrait Trust	Trustee	The Gallery provided the Trust with a grant of £20,000. The Trust paid the Gallery administrative fees of £3,197. Nil balance at the year end.
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#### Gallery Management

Dr Nicholas Cullinan	The Romney Society	President	£18 purchase for Gallery membership of the society. Nil balance at the year end.
Nicola Saunders	Association for Cultural Enterprises	Trustee	£1,402 of purchases for training courses and study days, as well as ACE annual subscription. Nil balance at year end.

**Trustees:** Sir William Proby donated £2,725 to the Gallery, including £1,200 at the Portrait Gala. Dr Brian Allen paid £10,000 at the Portrait Gala. Allegra Berman paid £2,450 at the Portrait Gala and £100 towards the Wellington portrait appeal. Dame Carol Black paid £1,200 at the Portrait Gala. Joanna Kennedy donated £8,000 towards portrait acquisitions. Dr Andrew Roberts paid £85 for Gallery membership and donated £200 to the Wellington portrait appeal. David Ross paid £12,000 at the Portrait Gala. He also lent the Gallery some art works for its *Howard Hodgkin: Absent Friends* exhibition. Lord Janvrin and Allegra Berman are both employees of HSBC and HSBC Private Bank (Luxembourg) is the custodian bank for the Gallery's and Portrait Fund's reserves under management with Partners Capital LLP.

**Independent Members:** Jeremy Sillem - an independent member of the Investment Committee - is a shareholder with Partners Capital LLP. Partners Capital LLP are the Gallery's investment advisors with £13.5 million of the Gallery's reserves under management. Neil Spence, a co-opted, independent member of the Audit and Compliance Committee claimed £115 in travel expenses to attend Committee meetings.

#### **24. LOSSES STATEMENT**

During the year the Gallery incurred losses of £151,000. A routine Gift Aid audit by HMRC identified £105,000 of overclaimed Gift Aid. The majority of the overclaimed amount related to Gift Aid claimed on guest passes included within the Gallery's membership fees. The remainder of the overall loss relates to publications stock write offs as well as the write off of a bad debt.





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